THE MAGAZINE OF WALL STREET

JULY 22, 1933

The Rubber Dollar and the Stock Market

By A. T. MILLER

A Free Market for Gold

By HAROLD FISHER

Opportunities in Low Priced Rails

By HERBERT C. SLATER

C. G. Wyckoff
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CONTENTS

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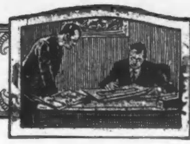
WITH THE EDITORS



Know What You Are Doing

NOTHING has caused more disappointments and losses on stock market operations that the absence of a definite objective or the failure to stick to it when one has been determined. Just the other day a reader came to us in a dilemma. Early in the spring he had decided that his funds were safer in common stock equities than in cash. He was convinced that inflation was in prospect and that his dollars would depreciate in purchasing power. He had chosen a group of stocks in whose futures he had confidence and put them away secure in the belief that rising prices would compensate for his depreciating dollar. Safety and protection were his objectives. By mid-June his profits were sizable—so attractive, indeed, as to obscure his original purpose, and on the threat of a minor reaction he took them. But then what? As he put it: "Here I am out of stocks with more cash it is true, but everything looks high to me. What shall I do now?" Ten days later they looked still higher and having swerved from his original purpose of protection for one of immediate profit he had lost all sense of security.

His situation was as bad as that of his opposite—the well-known individual who "bought for a trade and held for investment." How often have we seen that done—buying for a quick profit and then when the stock goes contrary to expectations protecting the ego instead of taking the loss and saying: "Well, I always liked that stock and I guess I will hold it for investment"—and what a red ink "investment" it often turns out to be!

Every proposed security commitment should be submitted to the test of "what am I buying this for?" If for a trade, make it that and take the profit or loss at the conclusion. If you buy for bona fide strong box investment don't be swayed by intermediate considerations. Better take the time and trouble to look into each situation from all angles, weigh all factors, then don't vary from your original purpose.

This procedure isn't pig-headedness, it is merely knowing what you are doing.

In the Next Issue

Mid-Year Dividend Forecast

— What dividends are likely to be resumed
— Which ones are likely to be increased
— Earnings for the first half of 1933 compared to 1932
— Investment prospects for leading companies

In the Next Issue: August 5

Railroads   Public Utilities   Equipments

In the Following Issue: August 19

Steel	Automobiles	Foods
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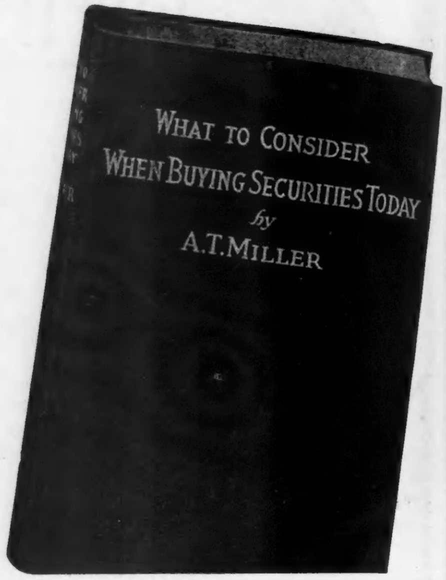

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CONTENTS

1. **Sound Basis for Current Investment**
   —Practical dynamic business economics.
   —The consequences pro and con of currency and credit inflation.
   —Investment opportunities born of the business depression.
2. **The Basis for Common Stock Selection Under Present Conditions**
   —Simple methods essential to successful investing.
3. **A Simple Explanation of How to Read and Profit by Financial Statements**
   —How to judge a company's current strength.
   —How important is book value today.
4. **The Value of the Technical Position.**
   —Quick or long range profits.
   —The various long and near-term movements of securities.
5. **Why a Study of Group Movements Is Essential to Successful Investing**
6. **Basic Principles for Determining Individual Profit Possibilities in 12 Leading Groups**
   —Merchandising Stocks —Tobacco —Tires
   —The Steel Group —Railroads —Accessories
   —The Petroleum Group —Automobiles —Sugar
   —Non-Ferrous Metals —Public Utilities —Leather
7. **How to Gauge Speculative and Investment Opportunities in Bonds**
   —What constitutes safety of principal.
   —Selecting bonds from the low-priced list.
   —Judging foreign bond values.
   —When to look for profits through receiverships.
   —Opportunities in railroad bonds.
   —Detecting the real opportunities for profit in bonds.
8. **Investment Trusts—Fixed and Management**
   —Rules to apply in selecting Investment Trusts.
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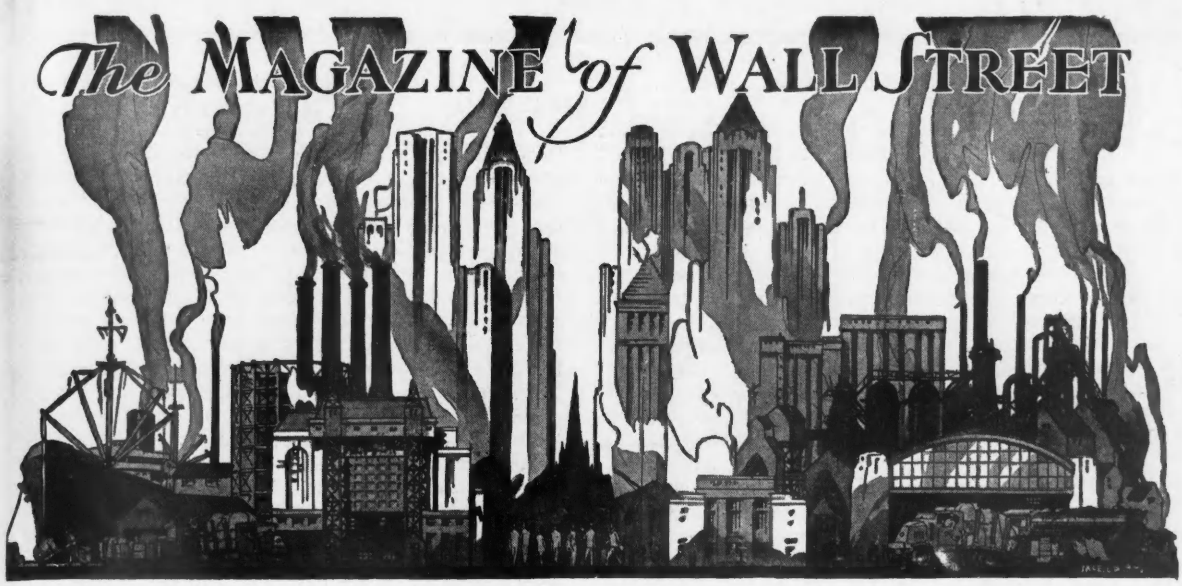

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The Trend of Events

—The Super Cabinet

—Is There No Bottom?

—Again Lending to Sell

—Small Crops—Big Times

—A Battle is Won

THE SUPER CABINET

THE nominal cabinet of the Government of the United States now has a place to find out what is going on. Instead of meeting every Tuesday, as in the past, the members of the Cabinet will on that day attend a conference of the President with the *de facto* cabinet. On Fridays the regular Cabinet members can gather socially by themselves, untroubled by affairs of state. The fact that titularily, at least, every member of the Cabinet annex, with two exceptions, was non-existent in any official capacity before March 4 shows how fast we are traveling towards a new conception of government as a business agency. Note the business titles of the new functionaries: Director of the Budget, Chairman of the Reconstruction Finance Corporation, Governor of the Farm Credit Administration, chairman of the Home Owners Loan Corporation, Administrator of Industrial Recovery, Administrator of Agricultural Adjustment, Federal Relief Administrator, Chairman of the Board of the Tennessee Valley Authority, Co-ordinator of Transportation, Director of Civilian Conservation Corps.

Heretofore these dignitaries have been running wild even if well. Now they are to team up. It is time they did. It is up to a Government head-over-heel in business to proceed in a business like way. There has been much lost motion in Washington, much confusion and even collision. Had this Council been in existence in May, we would not have given the world, at London, a complete, if humiliating, exhibition of a nation pursuing contradictory external and internal policies.

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IS THERE NO BOTTOM?

NOW that the paper dollar has fallen in foreign exchange until it is almost at the gold parity of the paper pound, viz., $4.86, conjecture arises as to how far it may tumble yet. While we were still upholding the gold standard, the dollar was in such high esteem that it once took only $3.18 to buy a pound. Recently there has been intimation in London that the time may soon come when it will take six dollars to buy a pound.

It is hardly conceivable that the British will allow the dollar to fall much further without taking measures in the direction of weakening the pound. Theoretically, the British have already about lost all the advantage their abandonment of the gold standard gave them in competition with American manufacturers. If the dollar declines further the advantage will be the other way. The war of currencies, which the Economic

Conference was expected to avoid, may soon be waging, bitterly or gaily.

And yet it is hard to see why the dollar will not soon have to gain unless actual currency inflation is undertaken. The balance of international payments is strongly in favor of the United States, which should mean that dollar exchange should be in strong demand. But fear or hope that the gold dollar will be debased is evidently interning our balances abroad. Americans are probably doing their hoarding abroad since it can no longer be done at home.

The situation is full of dynamite. Presently there may be no trace of the gold standard left in the world and a period of full chaos, pending the adoption of new standards, whether of gold or of some new-fangled international index. Our impetuous President may at any moment give us a new, low-weight gold dollar. But, first, he evidently desires a marked increase in the domestic price level. Yet he fears that it will come too rapidly. And so, as prices rise, ominous growls proceed from Washington that wages must advance abreast of prices and that production must not outrun consumption. It is undeniable that production is already expanding faster than purchasing power.

We must proceed more moderately or be prepared for a setback that will postpone recovery.

AGAIN LENDING TO SELL

HAVING played Santa Claus to the impecunious states of South America and to impoverished Germany to the extent of some ten billions of indefinitely marooned, if not lost, dollars, the first signs of good times find us picking threadbare Russia for a debtor. It is notable, however, that our Wall Street bankers are not throwing their money over this particular transom. Uncle Sam himself is now the benificent lender. The R. F. C. is lending the Russians the cash with which to buy thousands of bales of American cotton.

However, this sort of loan is preferrable to the kind our ankers used to make to the moujiks. The bankers in effect gave them cash to bring large areas of land into cotton production — which is the same as taking them out of the American market. The R. F. C. loan is a consumption loan—it makes markets instead of extirpating them. Waiving the possibility that this loan will presently turn into one of those "standstill" or frozen loans on which our international bankers have specialized with great success, we could wish for more lending opportunities of this type. For more than ten years we financed a large part of the world to dry up its markets for our surplus products. We should confine ourselves to financing foreign consumers instead of producers. To Russia in particular we might say: Millions for consumption but not one cent for production. We hope our bankers and manufacturers will never return to the folly of helping other countries to cease to be buyers of our products.

Incidentally, it gives us a bit of editorial elation to recall that we advocated consumption credits to foreign nations more than two years ago as an efficacious means of reducing our surpluses of staple commodities.

SMALL CROPS—BIG TIMES

THE unkind elements are destroying the cereal crops in the North and West and the farmers are themselves destroying a quarter of the cotton crop in the South. Nature directed the first operation, but the Agricultural Relief Act is responsible for the latter. A small yield of wheat and a fair price do not multiply into much of a return this year. But next year the cereal farmers are due to to be paid for doing nothing, besides benefiting from the blow dealt this year to the carryover. Actually, they will get most of their pay for 1934 non-production in advance this fall. Between good prices for the cotton they make and better prices for what they don't make the cotton farmers seem to be on the way to prosperity.

So much of our orthodox economics has been sunk in in the last few months that we are bold enough to think that perhaps it is possible to control crop acreage. The great experiment now under way will be the test. If it succeeds, farming in the United States may largely cease to be a gamble with the markets. Gambling with the weather will always give it all the hazards it needs to make life pleasantly variable.

A BATTLE IS WON

THE Allied Chemical & Dye Corp. has capitulated to the demands of the New York Stock Exchange and the general public for more detailed information of its affairs. It has made available for the first time information which is indispensable to a stockholder wishing to appraise his holding. And more has been promised at regular intervals, together with a permanent change in the manner of its presentation. While this victory for the Exchange and for the minority interests which have so actively seconded the former's attitude is not unimportant in itself, it is more important still as a milestone along the road to fairer treatment of stockholders generally. In view of what has happened in this instance, temerarious, indeed, will be the company which refuses to divulge reasonable details to its owners—the stockholders. Yet, because Allied Chemical lost—just as surely as others taking the same attitude in the future will lose—there is not reason to suppose that the company has been deprived of anything of real value. On the contrary, in losing it will win for, when time has healed the company's wounded pride, Allied will realize that the confidence of stockholders is an asset which previously had been undervalued.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 307. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 17, 1933.

The Rubber Dollar and the Stock Market

Price Trend Meshes Gears with the Dollar Abroad

By A. T. Miller

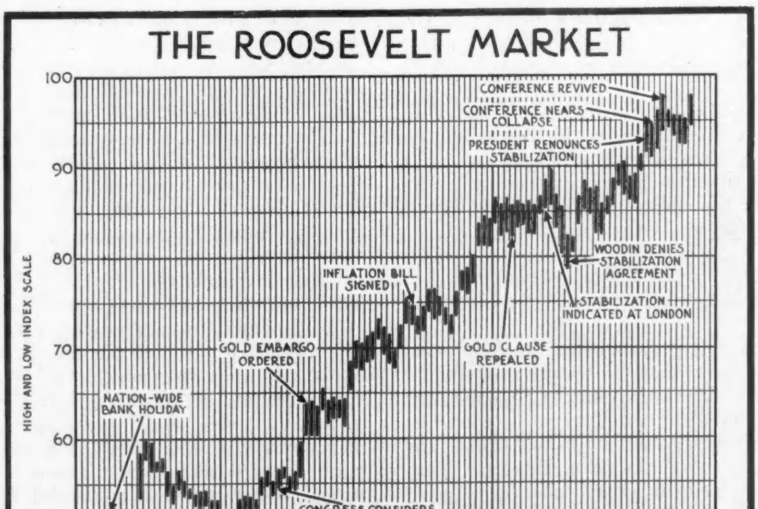
RENUNCIATION by President Roosevelt, on July 3. of temporary exchange stabilization and all its works may have been a shock to the London parley—a veritable death blow. But Wall Street gave the President's statement a rousing reception, regarding it as a license for unbridled price advances in equities to offset the further drop in the dollar.

The greatest factor of restraint, previous to the Washington pronouncement, had been the fear of those who, after giving due allowance to the well-defined and considerable improvement in general business, could not close their eyes to the large part played by threatened inflation and, hence, shuddered at the mere thought of retarding the flight from the dollar. If any doubts about the future course of the dollar remained after July 3. they were set at rest by the additional statement on July 5, in which the President said:

"Revaluation of the dollar in terms of American commodities is an end from which the Government and people of the United States cannot be diverted. We wish to make this perfectly clear. We are interested in American commodity prices. What is to be the value of the dollar in terms of foreign currencies is not and cannot be our immediate concern."

The most significant sentence in the previous statement was this frank espousal of managed currency:

"Let me be frank in saying that the United States seeks the kind of dollar which a generation hence will have the same purchasing power and debt-paying power as the dollar value we hope to attain in the near future."



Whether or not the policy thus set down is relentlessly pursued, the words will endure in economic history. They foreshadow a purpose to embrace theories which are regarded by some as economic heresies. But in these fast moving times, the heresies of today may be the established beliefs and laws of tomorrow. Although one cannot escape the thought that no attempt to manage a currency and thus control the prices of those commodities made desirable or undesirable by the productive activities of man and nature, has ever succeeded. Therefore, the burden of proof that their monetary schemes are practicable lies heavily upon the innovators.

However, at present, the security minded public is not overly concerned with economic law or theory. It is governed by something which transcends either; that is, mass psychology. (Incidentally, mass psychology is something which, if we are not mistaken, will play an increasingly important role in the success or failure of the so-called "commodity dollar," now playfully referred to as the "rubber dollar.") Whether or not sound economists view modern trends with alarm, stocks have been soaring in Wall Street because by far the greater number of people are convinced that the fall of the gold standard means the rise of all manner of commodities and equities in real property. The crowd is stampeding, the market is boiling, daily commissions are mounting to handsome totals — who is there to mourn for the old order?

Unwilling to be-

lieve at first, and still harboring lingering doubts, the financial community cannot blink what the future obviously holds. The nation is off gold, prices have risen sharply, particularly in international commodities. Unofficial but inspired sources announce that the Government's purpose is to restore the average price levels of 1924-25. In those years, wheat averaged $1.47, flour averaged $8 a barrel, cotton was around 25 cents a pound, and copper was above 13½ cents.

The program is under way—like it or not—and the next move will be devalution of the dollar. The dollar is off gold now; but the theorists have it that a surgical operation on a portion of the historical gold backing will automatically induce consumers to part with more dollars for every item purchased. Supply-and-demand has become but a deuce in the new deal; gold, ostentatiously scorned, is the ace. Simply put less gold in our dollars, the theory is, and we will not only gladly pay higher prices but we will also consume more of everything. If only the cotton growers had had a complacent government to operate on the dollar and save them from the inroads of artificial silk and the loss of the petticoat business a few years ago!

After the dollar has been devalued to some as yet unknown extent—currently the exchange value is about 69 cents in terms of francs—the next move will be to set up the "rubber dollar." The "rubber dollar" will make prices the same a generation from now. Instead of commodity prices rising and falling, the "rubber dollar" will stretch or contract in consonance with some index number. The picture may be clearer if we think of the historical dollar as an elevator in a building, by means of which purchasers reach the various floors or levels of different commodity prices. In the new set-up the arrangement will be entirely different. There will be no elevators. The elevator lobby will give access to all floors by the simple expedient of moving the building up or down, as the case may be. What remains to be seen is whether or not the new arrangement will be more costly.

With the President having ample power to go ahead with these moves—and more, if he deems it necessary—the country at large can only view them with resignation. Not until the Congressional elections of 1934 will there be any indication as to whether the end sought is one from which "the (government and) people of the United States cannot be diverted."

Thus resigned, the stock market has unreservedly meshed its gears with the exchange valuation of the dollar in foreign markets.

With this motive power it probably can make considerable headway. The present financial program of France will probably restrain her defection from the gold standard at least until September or October. The pound continues to rise and may conceivably go as far as $6 before any real program of price elevation can be undertaken. Certainly it must pass well beyond parity to enlist popular support for such procedure. Such prospects abroad point to a further cheapening of the dollar in the world at large for the near future. Later months may tell a different story but for the present the sliding dollar and the news of encouraging productive activity at home combine to spur the price advance regardless of its reasonableness.

The general industrial news is rather reassuring. In the latest week, electric power output gained nearly 15 per cent for the entire country, with the Pacific Coast region joining to a certain extent in the rise. Steel operations have risen to 59 per cent of capacity, and although there is a lull in new purchasing, the pressure for deliveries is reported as undiminished, and shipping orders are sufficient to keep plants humming at least for the remainder of this month.

There is reassurance, too, in the fact that unfilled orders of the Steel Corporation, having shown gains for three consecutive months, have piled up a backlog, at the end of June, slightly above that of a year ago. Contrary to expectations of monthly price announcements, the industry has announced prices for the entire third quarter. Some items were advanced, while for others the prices which have prevailed for more than a year were reaffirmed. But price concessions were barred all along the line, and this in itself is tantamount to an actual advance.

Building construction scored a gain of more than 40 per cent in June, over the month a year ago, but the level of operations is still low and not much aid to steel consumption is expected from this source. Automobile production is holding up better than expected. If railroad purchasing does its share in the autumn, steel production may be able to hold its pace.

With crude prices generally advanced, in some fields to 65- and 75-cent tops, and with indications of some degree of control over production, the oil industry is feeling more optimistic. Imports have dropped and stocks of motor fuels are being pulled down. The President's order barring "hot oil"—production bootlegged under the noses of regulatory authorities—from interstate commerce should further help the price situation.

Rising prices have been a boon to the railroads, by starting movements of numerous commodities from dead storage. Even old wheat from country elevators is now on the move, and hundreds of thousands of well-nigh empty warehouses are being restocked. In a recent week, freight carloadings were up nearly 30 per cent as compared with the week a year ago. Comparisons may not be quite so favorable for the remainder of the third quarter for the reason that business enjoyed a considerable pick-up in the corresponding period in 1932. Net revenue gains, as was to be expected in view of economies in operations, have run well ahead of gross. For May, 150 Class I railroads reported an incearse of 1.3 per cent in aggregate gross revenues over the month in 1932, compared with a decrease of 6.1 per cent in the previous month. Net operating income for May, however, was up nearly 250 per cent.

With faces turned toward 1924-25 prices, which it is the avowed purpose of the reconstruction program to restore, all industries which fall under strict commodity classifications—such as copper, iron ore, rubber, oil, sugar, coal, and others where processing is limited, as in meat packing and lumber production—are viewing the future with restored confidence. There is no doubt as to what actual price-raising will accomplish for them. Tremendous buying has recently hit the crude rubber market and spot prices which were below 3 cents last March have soared to well above 9 cents. Some tire manufacturers who laid in supplies forehandedly are figuring rather husky paper profits on their inventories, and at the same time there is talk of another general advance in prices of their products.

Giving mass expression to the public conviction that inflation has become a permanent factor in the new eco-

(Please turn to page 352)

Free Gold Market in America Is Urged

Would Give an Exact Gold Value for the Dollar and Prepare Way for Resumption of Gold Standard

By HAROLD FISHER

(This lucid article by Mr. Fisher not only expounds the advantages of a free gold market in the United States but clearly explains how it happened that the currencies of the world got out of line with the true value of their gold bases—and, hence—in his opinion— the need of devaluation of their gold units. It was his understanding of this disequilibrium that enabled Mr. Fisher to predict in THE MAGAZINE OF WALL STREET, *a year ago, what has since come to pass with regard to the gold standard. It will be recalled that Mr. Fisher is an English industrialist and merchant with world-wide interests.*—Editor's Note.)

THOSE who believe that monetary disequilibrium is the prime factor in the depression of the past four years and that the operation of the gold standard is at the root of it are asking whether a free gold market will be established in the United States in the near future and what the effect of such a market would be upon the world economic situation. The present writer does not hesitate to say that the establishment of such a market would do more to raise the world price level to a paying basis and restore the entire economic system to health and wealth once more than any international agreements that may be arrived at by the World Economic Conference. In the following development of this contention it is necessary to keep these definitions in mind:

(a) Gold is a metal in universal demand.

(b) Legal tender is a denomination of value deriving authority from a sovereign power by an act of its government declaring it will pay its debts in that denomination and will accept payments of its taxes and impositions therein.

(c) Paper currency notes are a government authorization to the bearer to discharge therewith to the amount of their face value in legal tender "all debts public and private, public charges, taxes, "duties and dues."

The gold standard will still exist even when no government is any longer redeeming its notes in that metal. It exists by virtue of the fact that gold, as a metal, is universally sought and acceptable.

A government adopts the gold standard when it fixes a price in its own legal tender for a given weight of fine gold, and declares its intention of selling gold in unlimited quantities at that price. The weight of fine gold that it will sell for a unit of its own legal tender is known as the gold content of that unit. A government thus adopting the gold standard and preparing to sell the metal at a fixed price on demand does so in the expectation of being able to buy the metal at or below that price also.

When a government finds that it is being called upon to supply heavy quantities of the metal while at the same time none is being offered to it in a reasonably similar proportion, it suspends gold payments, refusing to sell any more, lest it be deprived of its stock.

This situation can arise from several causes, but the fundamental cause of a disproportionate demand upon a government for gold is, that, in terms of the legal tender of that government, the metal gold has become more valuable than the general commodities and services that can be purchased with the same legal tender. Gold thus becomes cheap at the fixed price and tends to be called for and to disappear; whether it goes into private hands or into the banks of other countries does not affect the validity of this statement.

During the European War every nation of importance

A Free Gold Market and Return to the Gold Standard

If America established a free market in gold in New York, under the necessary conditions of complete freedom in dealings and unrestricted import and export of gold bullion, not only would the value of the paper dollar in gold be automatically fixed every day, but the United States Treasury, with the largest stock of gold in the world, would dominate that market and through it the market price of gold throughout the world. It would thus keep a control over the depreciation of the paper dollar—which means controlling inflation—allowing the market price of free gold to rise to a point at which it deemed the depreciation of the dollar sufficient. The U. S. Treasury could then hold the price of gold at that point by re-establishing the gold standard, with a depreciated dollar of a value corresponding to that market price.

except the United States suspended gold payments. The United States continued to sell and to buy gold at the same fixed price as before the war until the spring of 1933. The American fixed selling price for gold, that is the official gold content of the American dollar, was assumed to be the natural value of gold. When the nations returned to the gold standard after the war, they based their selling price for gold not upon the natural price it would bring in terms of their own legal tender, but upon the rate of exchange between their own legal tender and the American dollar.

This exchange rate was generally arrived at by banking and credit manoeuvers and was supported by American credits. It was as if they said, "Let x represent the value of our legal tender in exchange for the American dollar, then x represents the value of our legal tender in gold, and conversely it represents the amount of gold we are prepared to sell for one unit of our legal tender." Actually, however, it was not so. The position was definitely artificial and the supposed free sale of gold was hedged about in every country with restrictions intended to impede the sale and confine it within certain limits. England was supposedly on the gold standard from 1925 to 1931, but no Englishman was allowed to cash notes in gold, no sovereigns were minted after 1917, and the Bank of England would not sell less than a bar of gold weighing 400 ounces and costing something over £1,700, at the fixed price, or $8,275.

Conditions of a Free Gold Market in the United States

1. The present prohibition of private holding of gold must be repealed—at least to the extent of its application to gold bullion.

2. Gold shall be free to be dealt in as a commodity between private individuals at whatever price it may bring in currency.

3. The import and export of privately owned bullion shall be absolutely free and unrestricted.

4. The Federal Reserve and the Treasury shall be free to buy and sell gold, but without obligation to reduce their holdings pending resumption of gold payments.

American Dollar the Standard

In effect, the nations did not return to the gold standard, for gold was freely saleable in none of them. They achieved an American dollar standard and called it gold. The entire currencies of the world up to 1929 depended upon the American dollar.

What did the American dollar depend on? Was the value of the American dollar after the war ever the same as the natural value of gold in relation to that of all other commodities and services? The writer is definitely of the opinion that it was not.

If the price of gold in American dollars (namely the official gold content of the dollar) had remained in equilibrium with the post-war prices of other goods and services in America these would have been the same as those of before the war, and this they notoriously were not, either in 1929 or in any other year after the war. They were much higher. In other words, after the war, legal tender in America purchased far less in goods and services than in 1914, yet it would still purchase as much weight of gold as in 1914 from the United States Treasury on demand.

The internal price level of a country expressed in the legal tender of that country is determined today far more by the nature of the contractual obligations in that denomination entered into by its citizens between themselves than by any other factor. Gold at a fixed price has no power to affect that level directly but only indirectly, over a long period, through the medium of international reaction; and then only on such factors in the domestic price level as are susceptible of reaction in the international one.

A domestic price level is thus not directly dependent upon or controlled by the official gold value of the legal tender in which it is expressed. It is, in fact, far more closely related to the equilibrium maintained between the revenue and expenditure of the governmental power from which the legal tender in question derives its authority, but this does not concern the present argument.

The point it is desired to make here is that in a country upon the gold standard, the domestic price level can move to a position which makes the metal gold at the official selling price much cheaper than goods and services, because the fixity of the selling price, or official gold content of the denominational unit of legal tender, prevents the price of gold moving upwards in conformity with the general rise in the price level.

This condition of things has existed in the United States ever since the war, and was certainly a very insecure foundation indeed on which to rebuild the gold standards of the world's currencies. Gold was artificially held below its natural price in the United States, and, therefore, every other so-called gold currency was based upon an under-valuation of the metal. The danger of the situation from the credit point of view was that gold was so far undervalued that at any moment the treasuries of the world might find themselves faced with a continuous stream of buyers but no sellers.

Demand for Cheap Gold

The gap between the domestic price level in the United States and the artificial depressed value of gold widened until 1929, when upon the stock market crash the world realized that the cheapest thing for sale in American dollars was gold. Thereupon the great scramble for the yellow metal began, led by the central banks themselves, which cashed into metal every dollar-credit or its make-believe equivalent that they could, and then, one by one, closed their doors to importunate gold buyers. Everything that could be sold and turned into gold or a gold credit was sold, and the proceeds held in idle cash, while the commerce of the world sank like a tired balloon.

Today, practically all the world's gold is hoarded "in vacuo" by the central banks or has gone into hiding in private hands. The Bank of France is still (June 29) paying gold (with a high minimum limit) and it has held out longer than the other great central banks because its devaluation (in 1928) of the pre-war franc raised the value of the metal nearer to its natural level in France than elsewhere. But it is probable that the metal even now

is under-valued in France and that before long the Bank of France will refuse to part with it at its present price in francs.

When the central bank of a country refuses any longer to pay gold, those who have previously withdrawn money from the market to keep it stagnant, either in a gold deposit bank or in gold metal in their own keeping, are at once divided into two classes; namely, those who have the bank's promise to pay and those who have their hands on the precious metal. Those who had a promise to pay gold have now only a promise to pay legal tender, but those who have gold in store have a metal which, when the proper time comes, they will be able to sell at a price. And that price will show a large profit. Those, however, who now only have a promise to pay legal tender, have no longer anything to gain by keeping it on deposit; they put it into the stock or commodity markets. And it is this disbursement of moneys now no longer valid for gold which raises the prices in these markets to a higher permanent level when a country goes off the gold standard.

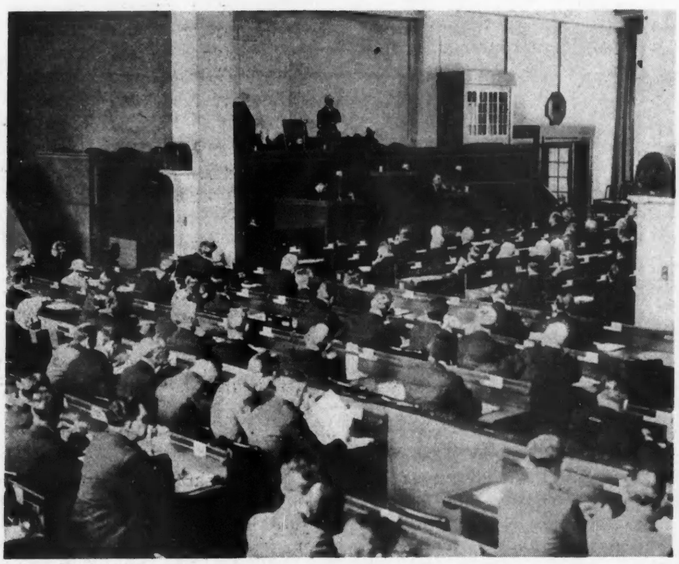
The so-called "fear of inflation" is merely a gambling counter. The true basis of the rise is the natural return to use of money, which, having been deposited as good for gold, is no longer good for gold, and its owners require it to be good for something else.

The Case of the U. S.

When the United States went off the gold standard, that is to say, when the United States Treasury and the Federal Reserve Banks ceased to sell gold, all dollar currency and dollar credits changed overnight from being promises to pay a given weight of the metal gold, valid all over the world, for the satisfaction of all kinds of debts and taxes, into promises to pay legal tender valid only in the United States and its dependencies for the satisfaction of debts between United States citizens only and for taxes due only to the United States.

Those who had previously taken the precaution of cashing their dollars into gold and removing the metal out of the country for a safe place, still hold it, available for future sale at a price probably considerably above the amount of dollars they paid for it. Those who held gold in the country were required (upon pain of a heavy term of imprisonment for refusing) to sell it to the Government or its agents, the Federal Reserve Banks, at the same fixed price at which the Government had ceased to sell it. It is known that many holders of gold failed to comply with this order and that a large volume of gold is still in private hands.

So long as the hoarding ordinance remains in force there can be no free gold market in the United States, and what has not already been handed in under compulsion will not now come out of hiding until it can be sold at the world market price.



Acme Newspictures

The World Economic Conference in Session. Premier MacDonald Speaking

The only free market for gold at present is in London where the price is moving around 122 shillings per fine ounce as against the Bank of England's former fixed price of just under 85 shillings. All newly mined gold goes there to be sold, including the Canadian production which was formerly sold in the United States. But even this market is not entirely free, because the price is dominated by the exchange value of the French franc and that of the gold currencies of Belgium, Holland and Switzerland. These countries still continue to sell gold at a fixed price, though they too, are now worried because there are more buyers wanting gold from them than sellers wishing to offer it. If the price of gold in England shows too strong a tendency to rise, it can be kept down by heavy purchases on the foreign exchange market of French francs by those central banks to whose interest it may be to keep the price of gold down. The tendency of the natural price of gold to rise under the present circumstances is shown by the fact that ever since March 4, 1933, it has commanded a premium on the London market over the sterling-franc exchange rate.

If Gold Should Be Freed

If the United States Government withdrew its order commanding all gold in the country to be given up at the former fixed rate, and declared the sale of the metal to be absolutely unrestricted in the United States, gold would be free to rise to its natural level in the world relative to all other commodities. The present artificial control of the price in London by means of manipulating the sterling-franc exchange rate would be broken, because gold would flow to the market where it commanded the highest price. The London market would have to fall into line with the American market, as otherwise no gold would be sent there to be sold.

All gold in hiding and newly mined, would come into the market to be sold at a profit. The central banks could acquire as much as they might need at the market price. Meanwhile, the value of the gold stock held by the U. S. Treasury, the Federal Reserve Banks and all other central banks in the world would rise as the market price rose, and hence be available later as cover for a greater volume of currency.

Nothing but the ceasing of all central banks to sell gold at its present artificially depressed currency price will drive gold *deposits* back into the stock markets and commodity markets. Nothing but a rise of the metal gold to its natural price in the world relative to all other commodities will bring private hoarded gold out of hiding. Nothing but the bringing of gold out of hiding, at its

(Please turn to page 350)

What Price Prosperity?

The Pressure of New Taxes on Business and Investment

By John C. Cresswill

INVESTORS in corporation stocks will have to pay $70,000,000 cash for the return of prosperity. The Federal Government is now spending $3,300,000,000 to recover prosperity thereby. The new taxes imposed by Congress to meet interest and sinking fund for this huge business and job-creating program include a forced contribution of 70 million dollars from the recipients of dividends.

The taxation goose, as the late M. Colbert of France remarked a couple of hundred years ago, squawks terrifyingly only when he is pained by the withdrawal of his feathers.

To simplify and insure collection of this amount corporations are required to deduct and turn over to the revenue collector 5 per cent of all dividends declared after June 16, 1933—except dividends paid to other corporations. So, whenever you get your first dividend check to which the law is applicable, you will find that it is 5 per cent less than you would otherwise receive. And that deduction will be a deplorable feature of all subsequent dividend checks until the Prohibition Amendment is repealed or Federal revenues exceed expenditures—whichever is first.

This means nothing to the paying corporations except some more clerical work but it means a sizeable reduction of income from stock investments. As there are many millions of you this reduction is comparable to a 5 per cent cut in payrolls in its theoretical effect on the purchasing power of the nation. Whether it will have any appreciable effect on business is doubtful in face of the rising wave of prosperity.

And the Corporation Capital Tax

But this direct dividend tax is not the only way in which the investor is forced to sacrifice in the cause of better times. The amended revenue act assesses corporations a dollar a thousand on the declared value of their capital. This tax is calculated to aggregate 80 million dollars. It will be taken into account in the declaration of dividends. So your declared dividend may be smaller—probably will be—than otherwise would have been the case. Your purchasing power will be reduced thereby, although in the new mood of optimism you may be spending more. For that reason the aggregate buying by investors may not be affected. Then, too, what the investor doesn't get the Government does get and spend. This thought may also be applied to the practical business effects of the corporation dividend tax.

To whatever extent in the present business psychology of the public a reduction in the net income of corporations by 80 million dollars, whether passed on to shareholders or not, may have on the market price of stocks is problematical. The duration of this tax, like that on dividends, depends upon the advent of a treasury surplus or the repeal of prohibition. either of which may happen in 1934.

The tax on consolidated corporation incomes will be raised ¾ of 1 per cent on 1933 incomes and 1 per cent in 1934 and 1935, but the amount involved is not large.

And still we are not through with the incidence of the prosperity taxes on corporations, shareholders and business. With great forehandedness Congress has provided for a tax on prosperity after it arrives. This comes in the shape of an excess profits tax of 5 per cent on net income of corporations in excess of 12½ per cent of the declared value of the corporation's capital. This provision interlocks with the capital tax. If a corporation puts a high enough estimate on its capital it can escape the excess profits tax. But if it undervalues its capital it will be in danger of running up against the excess profits tax. As a general rule, corporations will be allowed to fix their capital value, but there is no chance for a company making abnormally high profits in relation to its actual capital to escape the excess tax. The tendency will probably be to declare capital at a point that will head off this form of surtax. It is simpler to dig up a dollar a thousand on capital than to run the chances of a big expansion in business resulting in an excess tax of unpredictable size. A million-dollar corporation would pay only a thousand dollars capital tax; but if it declared its capital as $500,000, the saving of $500 might be overwhelmed by an excess tax of many thousands of dollars. The excess profits tax may have a similar effect upon corporation expenditures to that which the former tax of this kind had. As between handing perfectly good dollars over to the Government and spending them for its own purposes—increased advertising, for instance—it is likely to prefer the latter. But the shareholder may regard the excess profits tax with a good deal of indifference—the most that it will mean to him in most cases is that he may lose some possible enhancement of the value of his shares by reason of the Government's getting what might have been plowed back into capital.

Punishing the Utilities

We are through with the prosperity recovery taxes that are of interest to all corporations and all shareholders, but there remains some bad news for the public utility group. The financing of prosperity by spending tax money calls for the transference of the 3 per cent sales tax on electric current used commercially or domestically from the consumers to the power companies. This shift becomes effective

September 1. In normal times about 60 per cent of the utilized electric current goes to industrial use; leaving 40 per cent of the gross incomes of power and light companies from sales of electricity subject to the transferred tax. This translates into a tax of 1.2 per cent on the total current sales of operating electric companies. Beyond a doubt such a tax will operate to reduce dividends or to tend to prevent increases.

The only hope of shareholders in this regard is that the operating companies may have effected such economies during the hard times that the increase of net profits will be greater than the increase in gross as business expands. And that is a substantial hope. That also is the hope of the holding companies, which have been thrown into the darkest gloom by the shift in the source of the power tax.

Hard on Holding Companies

Suppose a holding company's income is entirely from dividends paid by the operating companies; whereas the operating companies might find their net incomes reduced only 1 per cent, a consequent reduction of dividends by 1 per cent might mean an awful gap in the gross of the holding companies. If the holding companies, for example, had been averaging 6 per cent dividends from their subsidiaries, a reduction to 5 per cent would mean a decrease of their income by about 17 per cent. There is thus created a tremendous influence to be exerted against reduction of dividends by the operating companies. But this pressure even if effective in the first instance may be nullified by the pressure of the public upon operating companies for reduction of rates.

The Federal gasoline tax has been raised from one cent to a cent-and-a-half a gallon. This is a consumer's tax, and is nothing but an accounting nuisance for the oil and gasoline companies, as in the past year. One may speculate idly as to how the half-cent additional tax will affect total sales of gasoline, automobiles, tires, etc.,—and through them the affairs of the producers and manufacturers, and so on back to the stock market and the investor. But such speculation will be futile if the country is caught up in a genuine outburst of business activity—for then there won't be any effect measurable by the most refined valuation apparatus known to business sharps. Nevertheless, it is good to reflect that the half-cent will be erased when, as, and if, the treasury balances its books or prohibition vanishes.

While it lasts that little half-cent will be transmuted into 62 million dollars of revenue for Uncle Sam—so the fiscal experts predict.

It is now, unfortunately, necessary to turn to a tax which is euphemistically presented as a relief—to the farmer. Actually it is about the stiffest sales tax the American world has ever known—and enacted by a Congress which emitted angry sparks at the mere mention of an undisguised sales tax law. Moreover, it is a tax which hits below the belt the numerous poor for whom Congress is at all times professedly solicitous. Reference is made to the sales tax levied on processors of certain agricultural commodities—not for the account of the U. S. Treasury but for that of the farmers. Thirty cents a bushel of wheat, or $1.48 a barrel of flour, is already effective for this high purpose of social justice; bread is bounding up, the geese are squawking something awful, and Federal prison doors are yawning for bakers.

A cotton tax of four cents a pound is just around the corner, and unless automatic price increases beat the bootstrappers to it, processing taxes will soon take the zest out of butter, rice, corn, pork, tobacco and their various conversions. All this may take a billion dollars out of consumer pockets and put it into producer pockets—the pockets being in millions of cases in the same garment. Now as to whether this robbing Peter to pay Paul is good business is anybody's guess, and the writer leaves it to the reader. But he ventures the hint that if the consumer buys less by the amount of the tax the producer will be back just where he was before he was rescued.

(*Please turn to page* 347)

Gifts for Father

Will Purchasing Power Sustain Business Activity?

Advancing Production Depends on Closer Relationship of Prices, Wages and Employment

By John D. C. Weldon

Business has advanced at a sensational pace if viewed from the standpoint of productive activity; but the rate cannot be sustained unless consumers are enabled, through larger purchasing power, to buy the products which are currently being made available in larger and larger volume. The successful closing of the gap between buying power and productive activity is the most critical factor in the business prospect.

THE profit motive has been foremost in recent business activity, and for very good reasons. The threat of inflation — or the promise (whichever way you view it) — was injected into the business situation at a time when manufacturers, wholesalers and retailers in many lines had reduced inventories and shelf stocks to the minimum. With higher prices thus assured, lively hopes of profit gave a tremendous impetus to buying activity and production in nearly all lines.

A great deal of this production is aimed at the ultimate consumer. But what are the prospects of providing the consumer with sufficient purchasing power to sustain productive activity? Taking the consumer in the mass, that gets down to a matter of bringing employment and wages into consonance with rising prices.

The Speculative Urge

It is proper to give first consideration to the preponderately speculative nature of the activities which have followed so swiftly on the heels of price-raising plans. But it is not proper to infer that these activities are in any way unnatural or abnormal, except as they may be accentuated by the Government's rather hazy monetary plans. Had the speculative urge been absent, the inflation bombshell would have been no more than a "dud." On the other hand, had the inflation bombshell not been dropped upon the business scene, speculation would have flared up just as surely once people became convinced that business had made a real turning.

It is one of the functions of business management to plan ahead and to try to beat the gun. If anything, the fact that so many leading industries are now willing to stock up with finished products in advance of consumer buying should be reassuring as a majority expression of confidence in the future.

Business can well afford to get a little distance ahead of consumptive demand. Ordinarily that is the case; in fact, our system of distribution requires an amount of warehouse stocking which is, in the aggregate, very large. Production in excess of the current rate of consumption is required to build up surplus stocks.

If, after these stocks have been built up, production has to slow down a bit while consumer purchasing power is catching up, there should be no cause for alarm. An even flow of production would be an ideal condition, but it just isn't human nature to work that way. When and if production does slow down, it will be well to remember that the turning point for general business was reached last summer and that some let-down this summer would be no more than normal and seasonal. In this there is no reason for anyone's shuddering to think we are headed for another collapse.

While wages and farm incomes are admittedly moving upward more slowly than the output of manufacturing plants, there is nothing but reassurance in the sales figures of those industries which have been quick to feel restored consumer confidence. Automobile sales, for instance, have turned sharply upward in all parts of the country, and a new high record for sales of household electric refrigerators, measured in units, was made in May. Such purchases, of course, do not reflect re-employment to any great extent, but they are very significant as indicative of accumulated consumer demands and an inclination to part with money for goods. Like the stock market, the consumer market is subject to mass buying movements. With such a movement under way, surplus earnings are likely to find their way into retail channels just as swiftly as they are supplied through re-employment and wage increases. And the same thought applies to farm income; ordinarily the farmer is a good spender, when he is "in funds."

Department Store Sales Off

The Administration has recently been reported as worried over department store sales. The Federal Reserve Board's index, adjusted to seasonal variations, and taking the 1923-25 average as 100, fell to 66 in June, as compared with 67 in both April and May. In January and February the index stood at 60, and it touched a low of 57 in March.

In 1932, the index stood at 78 in both January and February, 72 in March, 79 in April, and in May and June it fell successively to 72 and 69. There is some encouragement in the fact that the trend is irregularly upward this year, whereas it was downward last year.

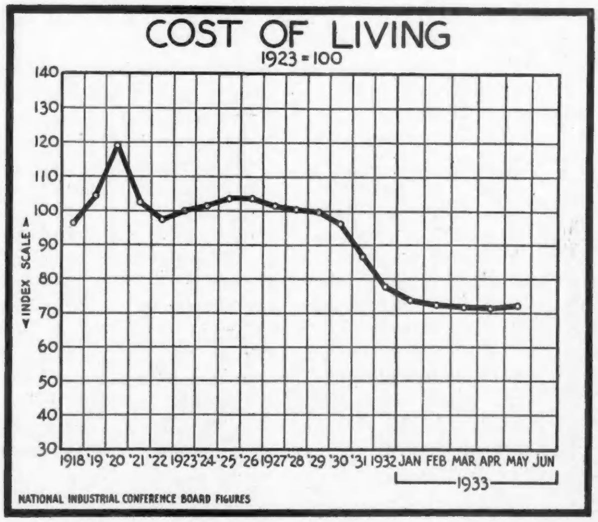
Probably unit sales, moreover, would show a different result. Sales at reduced prices to clear old stocks have been the rule in recent merchandising activities, and where higher prices have been paid on goods re-ordered the general practice has been to average costs, so that price advances have been kept to a minimum. Merchants are aware that consumer purchasing power cannot be re-established overnight; therefore, they are wisely reluctant to advance prices. When there is a clearer outlook on purchasing power and retail prices respond to rising costs, the index may well score a broad advance.

Payroll Trend Upward

There is more validity to apprehension over the fact that, although employment and wage payments are making substantial gains, actual totals remain far below normal. Thus, from mid-May to mid-June the index of factory employment rose 4 per cent in New York State, and the index of payrolls rose 5.7 per cent, both indices getting above comparable 1932 levels for the first time. But these indices, which take the average of the three years, 1925-27, as 100, reveal that total employment in the state is still only 59.4 per cent of what it was in those years, while total payrolls are only 44.8 per cent.

A similar result was shown for the country as a whole in an earlier report issued by the U. S. Department of Labor. Manufacturing employment increased 8.8 per cent for May, while payrolls gained 11.5 per cent, but aggregate wages were only 40 per cent of the average for 1926.

The Federal Reserve Board's figures on factory employment and payrolls also show a similar result. The unadjusted index of employment (1923-25 as 100) stood at 60.0 in May, compared with 61.3 in May, 1932. The payroll index was 42.0 in May this year, against 46.2 for the month last year. At the bottom, in March of this year, the employment index was 56.7 and the payroll index was 36.9.



The best that may be said for these indices is that—as in the case of department store sales—the major trend is now upward, whereas a year ago it was downward.

Indices of employment encompass, in percentages, the gain in total employment which the Federation of Labor placed at 1,200,000 during April and May. The Federation estimated unemployment at the end of May at 12,500,000, including the "white collar" class.

Gains in both employment and wages have undoubtedly continued during June, the former probably at a slower pace than the latter, for general wage advances have been announced in a number of important industries, such as rubber tires, automobiles, electrical equipment, cement, etc. And the putting into effect of the textile code sets higher minimum schedules and provides for proportionate advances in the higher brackets.

The most disappointing figure on the earning power of labor is that of average hourly compensation in factories. According to estimates by the National Industrial Conference Board the rate actually fell during May to 45.3 cents per hour, against 46 cents in April, continuing a decline which has been rather consistent for the past year. From the same source come estimates, however, that average weekly earnings of factory workers were $16.71 in May, as compared with $15.39 in the previous month, and $14.56 in March.

Looking at employment and wages in the aggregate for the entire country, it would appear that Washington and Wall Street are a bit impatient because they are perhaps unmindful of the difficult problems involved. In 1929 the average monthly employment in manufacturing plants was 8,838,743. It has been estimated that in 1932 the number of workers dropped to a monthly average of about 5,450,000. Probably a considerable number of the approximately 3,400,000 of industrial workers who found themselves out of work in 1932 have found other means of earning a livelihood. Some of them, including a large number of skilled workers, may never go back to the factories.

Suddenly deluged with orders on the first wave of inflationary buying, many industrial plants have found it difficult to recruit new and skilled workers. Some industries, such as steel, have reported a shortage of certain classes of skilled workers. The only alternative has been to speed up existing crews and add to hours of work. This is, of course, a temporary condition and will probably be righted just as rapidly as the required men can be obtained. How soon that will be will depend upon the extent to which the supply of industrial labor has been disrupted by the depression. The lure of the farm and the roadside stand—not to mention the reforestation corps—has shown many a former "wage slave" the way to freedom from the forge, the lathe and the bench.

Reducing the percentages of payroll indices to aggregate dollars, there is again presented a vast vacuum for refilling. Total wages of factory labor may be estimated at around 11 billion dollars for the period 1923-25. Applying to this the Federal Reserve Board index of 42.0 for May of this year, it may be estimated that total industrial wages are now running at a rate well under 5 billion dollars a year. It will take many thousands of additional workers in auditing and payroll departments alone — not to mention profits or bank credit—to add more than 6 billion dollars to that total.

Another important source of the nation's purchasing power is farm income. Gross farm income was 11,918 million dollars in 1929. And it averaged around 11,500 million dollars for the three years from 1923 to 1925. It dropped 2½ billions in 1930, another 2½ billions in 1931, and in 1932 it slid off 1¾ billions more, to a total of 5,143 millions. Here is a loss in gross income for the agricultural

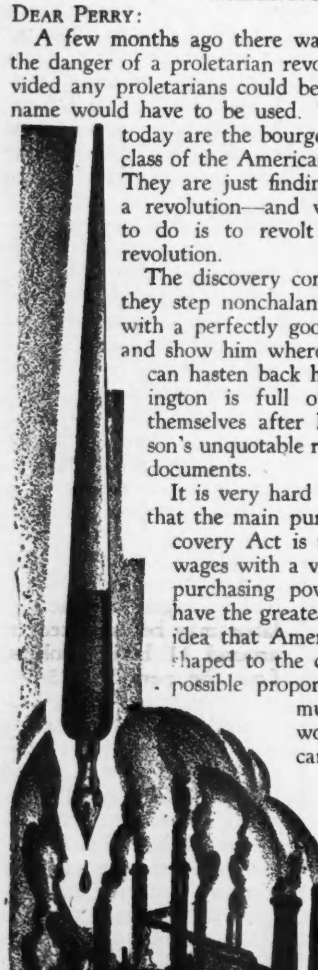
(*Please turn to page* 345)

Intimate Letters of a
& His New

WASHINGTON, D. C., July 8, 1933.

DEAR PERRY:

A few months ago there was a lot of wild talk about the danger of a proletarian revolution in this country provided any proletarians could be found—otherwise another name would have to be used. The only rebels I can find today are the bourgeosie. I suppose that is the class of the American industrialists and traders. They are just finding out that there has been a revolution—and what they earnestly desire to do is to revolt against the accomplished revolution.



The discovery comes to most of them when they step nonchalantly up to General Johnson with a perfectly good code of fair competition and show him where to initial it quick so they can hasten back home and get busy. Washington is full of them—trying to orient themselves after listening to General Johnson's unquotable remarks about their precious documents.

It is very hard for them to grasp the idea that the main purpose of the Industrial Recovery Act is to multiply jobs and hoist wages with a view to expanding the mass purchasing power of the nation. They have the greatest difficulty in grasping the idea that American industry is being reshaped to the conception that the largest possible proportion of the gross receipts must be ear-marked for the workers—so that the latter can rush to the stores and buy things.

They can't divert their thoughts from unit profits to the possibilities of vastly increased volume of absorbed production. They can visualize immediate profit but they can't comprehend the new gospel that the remedy for the ills of mass production is an ever-increasing public capacity to buy more and more — which means bigger and better payrolls.

These bourgeois have been talking for years in their service clubs about how they are only trustees of the people; but suddenly to find that they must act as they talk is, to them, preposterous. That's why there is so much stalling about the codes. These old-fashioned 1932 people thought the codes were to be for them. They will be—at the second table—but they are afraid there will be nothing but dishes on that table. They may be right.

That's something for investors to think about. If labor gets more, stockholders stand to get less than they did once upon a time. The supposed offset is that they will get what they get with more assurance of its duration and regularity. It's a good guess that melon-cutting will be a lost art.

Making big profits may be an ignominious thing in the new deal but the good old system of rewarding the political victors with public jobs is in a new heyday. The President makes many appointments in window dressing places without much regard to politics, but when these altruists get into the harness they are horrified to find that Chief Spoilsman Farley has them hog-tied. They may have one of the President's ears but he has the other.

There are 13,000 applicants for places in the Industrial Recovery Administration (and they'll need them all when it comes to enforcing it) and 24,000 for jobs under the Agricultural Relief Act. They are 100 per cent bewildered. Most of them find that a good political record is the main criterion of competence, but sometimes they find it is a positive hindrance.

Big fellows as well as little are caught up in this cyclone of the Washington of the new deal. There's Barney Baruch. Supposed to be backing the President up in this idea of a rubber dollar that shortens if prices go up and stretches if they go down. Only five months ago he was telling a Senate committee that there was nothing but folly in tampering with the dollar of the fathers. Now he's the unofficial but decidedly de facto vice-president.

Speaking of consternation, Secretary Hull, in London, was no more astonished than the members of the Cabinet in Washington when the President sprang the devastating Commodity dollar thought on the Economic Conference. One explanation of that heresy made orthodox is that Prof. Warren, of Cornell, is the latest and most respected member of the Brain Trust. He joined after Moley left for London. Warren has long been fascinated by the possibilities of a resilient dollar.

Now that thousands of career people are out of jobs in consequence of the economy drive, somebody has conveyed the thought to the president that there is a slight inconsistency between asking business to lengthen its payrolls when the Government is shortening its. Washington is the blackest spot on the business map. New policy is to fire and hire. You are solemnly fired today from a regular job you know and reappointed tomorrow to a job you don't know in one of the numerous temporary agencies. Thereby you help balance the ordinary budget and provide an outlet for the uncountable millions of cash in the extraordinary budget.

Washington Journalist York Broker

Washington is the most contradictory melange of governmental stinginess and profligacy that ever was. Every time you re-examine some of the reconstruction acts of Congress you find loose millions that you had previously overlooked. Did you know that 25 million dollars are available for anybody who wants a "subsistence farm?" Or did you notice that the Government has 50 million dollars with which to buy your scrubby farm and add it to a national forest? Then they are talking of financing you to reforest your woodlot if you can't sell it to the Government. In fact, that is already in the law but nobody has yet been clever enough to make it work. What is really wanted is a tree-growers' bank. Why not?—there are banks for farmers and home-builders and bankers banks.

Rising prices have raised the devil with the farm relief law. Farmers don't know whether to take the government subsidies for raising nothing or the market prices for doing something. By the way I'm confidentially told that the professors never foresaw the collision between the program of boosting domestic prices and the ancient and honorable policy of reducing tariffs and coddling foreign trade. That explains the London fiasco and the dizziness of our delegates to the Conference, who finally blundered into a "victory" because nobody knew which side they were on.

From the sublime, if stupid, to the ridiculous: Understrappers in a certain division knew their chief was a false alarm; went to the head of the department and proved it. The chief was fired. Then they were fired for disloyalty.

It's a great age and certainly not dull. Any way America is paddling its own canoe. Did you notice that while the administration of the Navy has been cut to the bone, 400 million dollars have been segregated from the public works funds to build 32 new war ships and rebuild all the old ones. Looks like we're going to have self-containment if we have to fight for it.

Yours for another surprise,

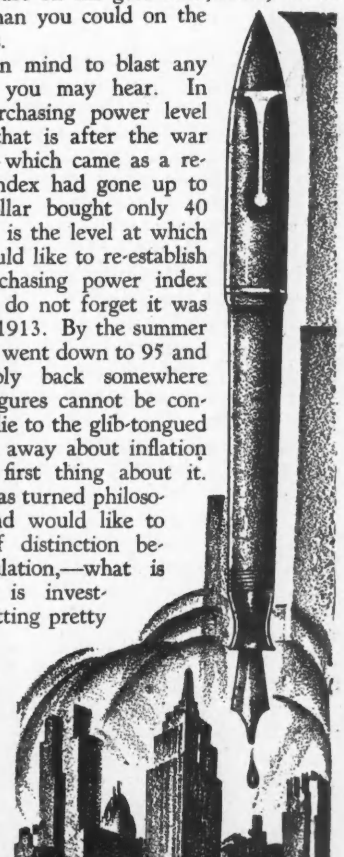
DON.

NEW YORK, July 14, 1933.

DEAR DON:

Your letter interests me greatly, but disturbs my equanimity. I wonder at this rapid "socialization" and question whether too much is not expected of it in a hurry. On the other hand, I am less concerned over the inflation that people talk about. The threat is proving potent enough without the actuality, despite the fact that we have a smaller currency circulation now than we had three months ago when the President took office.

Have you ever thought about the statement that our dollar is now worth 70 cents or 65 cents or 60 cents, as the case may be when you receive this letter? If you and everybody else would only remember that the purchasing power of your dollar today is still greater than it was in 1926 and very much greater than it was in 1919, how can you say your dollar is worth 60 cents? Besides which, in both 1926 and 1919, we were on the gold basis, your paper dollar was convertible into gold. Today, it is not convertible into gold; you are off the gold basis, and you still can do more with it than you could on the two previous occasions.



Keep these figures in mind to blast any inflationary argument you may hear. In 1919, the average purchasing power level was 100. By 1919, that is after the war and after the inflation which came as a result of the war, the index had gone up to 250, so that your dollar bought only 40 cents. By 1926, which is the level at which the Administration would like to re-establish price levels, your purchasing power index was down to 150, but do not forget it was still 50 per cent above 1913. By the summer of last year, your index went down to 95 and now you are probably back somewhere around 140. Those figures cannot be controverted and give the lie to the glib-tongued economists who prattle away about inflation without knowing the first thing about it.

I notice Otto Kahn has turned philosopher and reformer, and would like to draw the fine line of distinction between what is speculation,—what is gambling,—and what is investment. Otto must be getting pretty old, because when I was a boy and he was in the prime of his life, we knew that everything was an investment until it turned into a loss—in which case it became a speculation, and then if it turned completely sour it was just a gamble.

But speaking of gambling, did you ever see anything like the behavior of the stocks that have even the faintest aroma of liquor about them? All kinds of companies are going into the brewery business—and those that are not actually

(Please turn to page 350)

¶ *Steel Operations Have Thus Far Received Their Chief Impetus from Low Stocks.*

¶ *Will Consumption Take Up the Slack?*

Can Steel Maintain Its Present Pace of Recovery?

By C. M. Holmes

"MOTHER HUBBARD" buying power—as it might be called—has been largely responsible for pulling steel operations up from 15 per cent to 56 per cent of capacity. You remember the line, "when she got there the cupboard was bare"—and so she had to lay in a fresh stock. Add five zeros to one Mother Hubbard, bringing the figure up into the hundreds of thousands, and you will have some idea of the numbers whose cupboards were bare.

That is the most surprising thing that has happened in steel. Hidden buying power, more than anything the industry could put its finger on, was what started blast furnaces, open hearth furnaces and converters sizzling again. In the aggregate, warehousemen and dealers carry large tonnages of finished and semi-finished steel. In 1931, and particularly in 1932, they let stocks get down to a point where they were scraping the boards. Filling this vacuum has been the first job of the steel mills.

The real, honest-to-goodness consumer demand for steel hasn't got really going yet, but it is under way. The automotive industry, it is true, has been taking fair tonnages of sheets, but nothing to what was taken in '28 and '29. And the old-time leaders in consumptive demand — the railroads — haven't begun to buy yet.

Wertz Photo, from Nesmith

In the eleven years from 1922 to 1932, inclusive, the building industry has taken first place in steel consumption in three years, second in seven years, and third in one year. So far, structurals have played little part in the recovery. The 3,300 million-dollar public works program will probably help this division, but the total does not appear to be such a big sum when it is considered that the average expenditure for public works in the ten years to 1930 was approximately 9,000 million dollars. Considering this fact and also considering that the building industry led in consumption of steel in 1930 and 1931 and was second in 1932, there is room for questioning its great importance to the steel makers in the early stages of recovery. Residence building is likely to turn upward sharply, but will use little steel.

While automotive buying is holding its pace, all indications point to railroad buying as the big hope of the steel industry. Now that the first phase of steel's recovery—marked by restocking of dealers and also by a large aggregate of purchasing on the part of a great number of small manufacturers of miscellaneous steel products bent on building up inventories of finished products in advance of anticipated rising costs of wages and materials—has passed, it has become very important for real substantial buying to show its face.

There is one good reason for hoping that the railroads will step into the breech: For the past ten years their purchases of rolling stock and motive power have declined, until they ran pretty close to zero in 1932. Some idea of their accumulated requirements may be gained from the accompanying table which shows the percentages of finished steel taken by the three leading consumers during the past seven years. The table starts with 1926, the last year in which the railroads led the group. Railroads also led in the four previous years, with buildings second and automobiles third. The railroad percentage figure has declined from 23½ in 1926, to 12 per cent last year.

As contrasted with rolling stock, however, railroad purchases of rails held up fairly well until 1930. In that year there was a decline to 1,873 thousand tons, as against 2,722 thousand tons in 1929. In 1931 there was a further dip

to 1,158 thousand tons, and in 1932 an abrupt drop to only 375 thousand tons.

How completely abnormal the year 1932 was in the steel industry is further shown by the fact that sheets became the leading tonnage item, whereas bars had led for the last eleven years. What happened probably was that the paucity of other buying gave undue emphasis to the husky demand for tin plate. This really marked a trend, for the consumption of steel for metal containers—of all kinds, but mostly of tin plate—took fourth place in 1932 for the first time, with 11½ per cent of the total, as against 9 per cent in 1931, and 6 per cent in 1930, and for the first time the container industry ranked ahead of combined consumption of the oil, gas and mining group.

Some measure of the accumulated demand for steel may be obtained by taking the average of a number of supposedly normal years and determining how far production has fallen below that level in the past three years. The average annual steel ingot production in the United States for the six years from 1922 to 1927, inclusive, figures out at 41,619 thousand tons. The average for the three years, 1930 to 1932, was only 26,035 thousand tons. This suggests a possible deficit in production for the three depression years, of 46,752 thousand tons, or practically the equivalent of the actual year's production in 1926. And even if we estimate that in the boom years of 1928 and 1929, the annual average production of 52,587 thousand tons ran about 22,000 thousand tons ahead of normal, so that this amount may be deducted from the deficit, there still remains 24,752 thousand tons—or a good six months' production at a high rate of operations, to be made up.

Another, but less specific, measure of the deferred requirements is to be found in the industry's lack of profits. It has been estimated that the aggregate result for the entire industry in 1932 was a net deficit of approximately $161,000,000. Steel is a mass-produced product, with a small profit per unit; so that when volume falls below a certain point profits disappear. Volume is more important to profits than prices.

And that is why the steel industry is hoping that the miscellaneous and automotive demand will hold up until buying by the railroads and the building industry can take hold. Sufficient volume, it is felt, will cure the price situation. But prices which were out of line are already being revised upward. However, what is hoped for under the code which will shortly be up for approval of the National Industrial Recovery Administration is not a general price advance, even though wages will probably be raised by 10 to 15 per cent. Rather, the fixing of a minimum wage is looked to as a stabilizer of costs, and an eliminator of competition from the "cut-throat" fringe of the industry operating on low-wage costs.

The operating ratio at which steel production becomes profitable has been revised downward in recent years, because costs have been cut to the bone and for the further reason that the theoretical 100 per cent of capacity does not take full account of inefficient and obsolete plants which may never come into production again. In 1932 the addition to capacity in pig iron and steel was probably the smallest in history, with no new blast furnaces and only 100,000 tons increase in steel making capacity. It is little more than a guess—but an informed guess—that the industry on the average can show profits at between 40 and 45 per cent of capacity. This point was generally passed in June, and it may be assumed that July finds many steel makers out of the red. But many are not quite in the black.

"Big Three" Steel Consumers

Percentages of Total Distribution of Finished Steel

First	%		%		%	Total %
1932—Automotive....	17	Buildings......	16	Railroads......	12	45
1931—Buildings......	18.5	Automotive....	16	Railroads......	13.5	48
1930—Buildings......	19	Automotive....	15.5	Railroads......	15	49.5
1929—Automotive....	18	Railroads......	17	Buildings......	16.5	51.5
1928—Automotive....	18	Buildings......	16.5	Railroads......	16	50.5
1927—Buildings......	22	Railroads......	19	Automotive....	14	55
1926—Railroads......	23.5	Buildings......	19.5	Automotive....	14.5	57.5

The "Big Three" in the steel industry are U. S. Steel, Bethlehem and Republic, in the order mentioned. All three are well-integrated—after the manner of what was referred to several years ago as "vertical trusts"—with requirements cared for right back to sources of raw materials, such as ore, limestone and coal, and shipping facilities.

About 200 different companies, owned wholly or in substantial majority, go to make the U. S. Steel Corp. the leading steel producer in the world, with capacity equal to 40 per cent of the domestic output of steel ingots and finished steel. In addition to its rugged financial position, the strength of "Big Steel"—as the Street has long called it—lies in the geographical diversification of its plants and the fact that it supplies all the principal steel consuming industries. From tin plate to rails, its market is the broad market of the industry generally. It goes over also into coke oven by-products and cement, and into the building of bridges and ships. Its capacity for "taking it on the nose" financially is shown by the fact that although its net working capital has dropped 120 million dollars since the end of 1930, it still stood at around 350 millions at the end of last year.

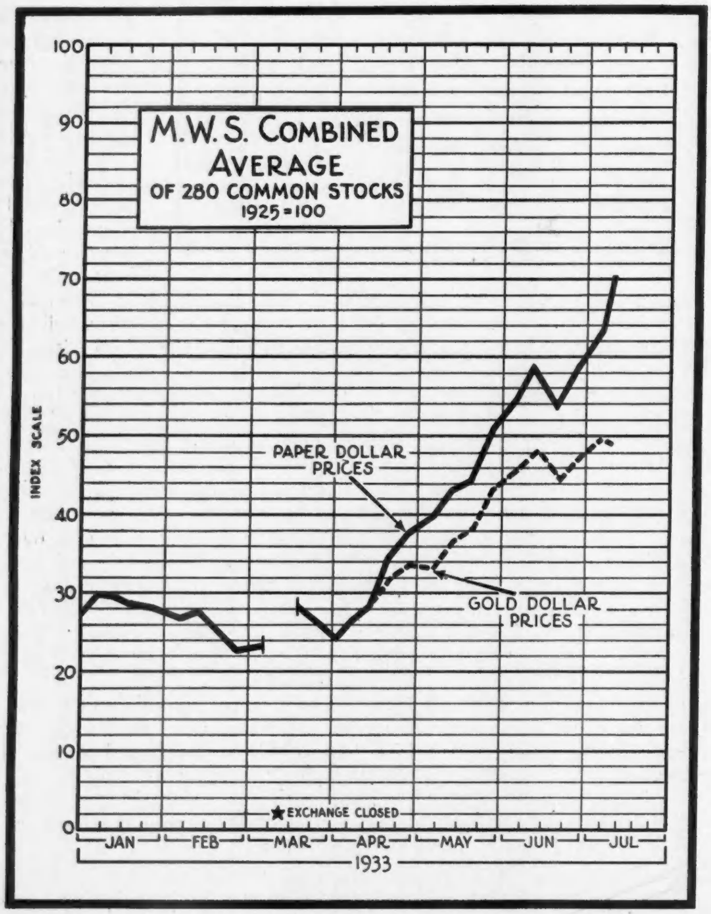
Bethlehem Steel Corp. is the second largest steel producer in the world. It has a rated steel ingot capacity about one-third that of U. S. Steel, and almost double Republic's. In the past ten years its capacity has been more than trebled, with the emphasis heavily on the structural division; so that it is now dominant in that field, with one-third of the structural capacity of the entire industry. At the close of 1930 structurals made up about 30 per cent of the corporation's aggregate capacity, as compared with 20 per cent in 1921. The reverse has happened in rail facilities, which have dropped from 40 per cent of Bethlehem's total in 1921, to about 15 per cent at present.

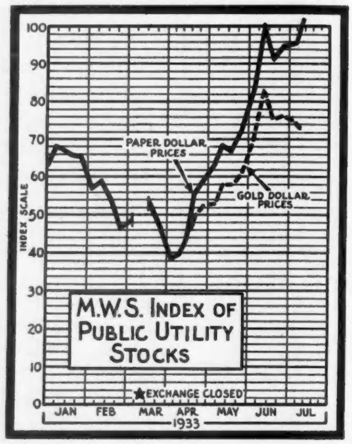
With this set-up, Bethlehem is more dependent upon the building industry than the average steel concern. Next in importance is the railroad market, with automotive third. Diversity is greater than this suggests, for wire, rods, nails, tubular products and tin plate, sheet and light plates are also made. In its shipbuilding department, Bethlehem is well situated to get its share of the recently announced $238,000,000 Navy construction program. Several years ago Bethlehem acquired the well-established Union Iron Works shipbuilding plant at San Francisco, and it has other plants at Fore River, Baltimore and Boston. *(Please turn to page 348)*

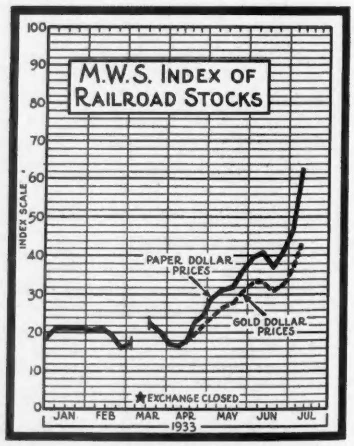
Paper Dollar and Gold

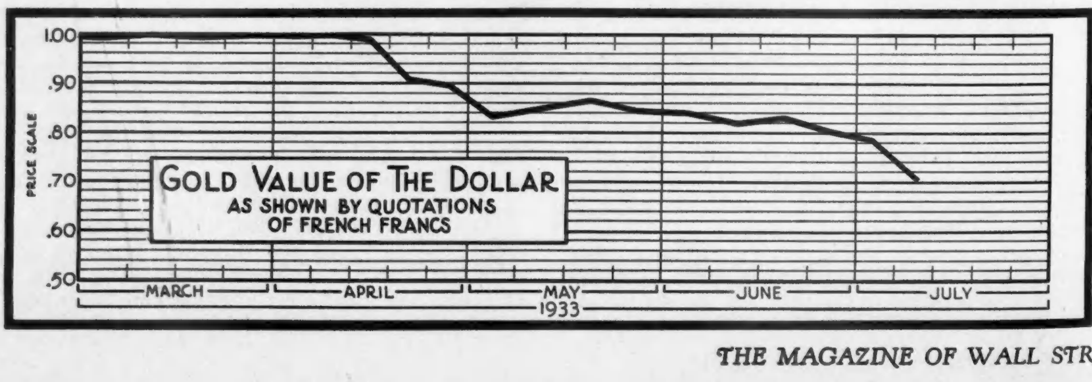
A Graphic Study in Contrasting Values

Gold prices were identical with quoted prices before the United States left the gold standard. Since then the dollar, in terms of other currencies still on gold, has declined to produce the following interesting divergences in values.





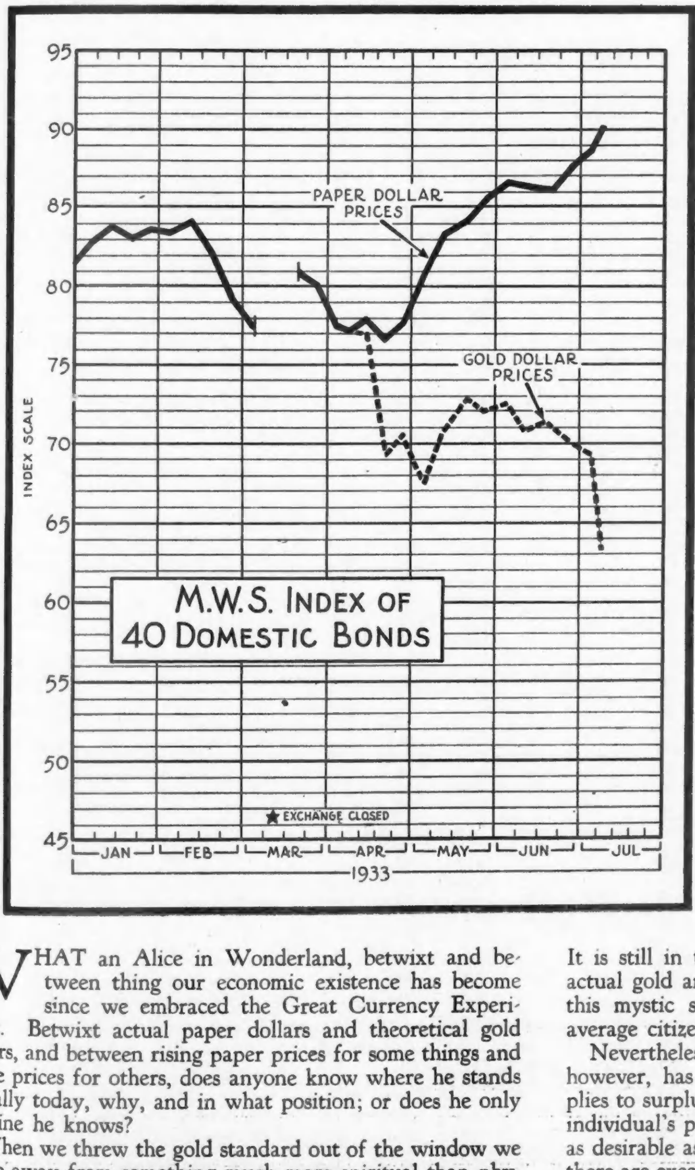


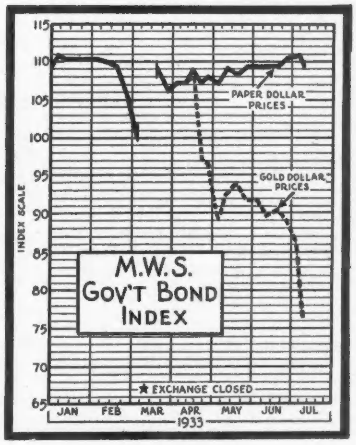


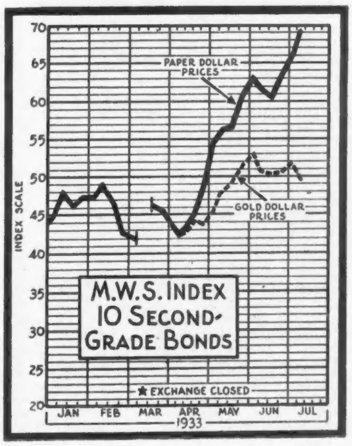
Dollar Prices Compared

By Henry Richmond, Jr.

Note particularly the varying effect on the value of different types of stocks and the various grades of bonds when they are expressed in terms of gold dollars. The investment significance of these variations is discussed in the text below.







WHAT an Alice in Wonderland, betwixt and between thing our economic existence has become since we embraced the Great Currency Experiment. Betwixt actual paper dollars and theoretical gold dollars, and between rising paper prices for some things and stable prices for others, does anyone know where he stands actually today, why, and in what position; or does he only imagine he knows?

When we threw the gold standard out of the window we broke away from something much more spiritual than physical. If the dollar abroad is pretty seedy, at home the dollar of today cannot be distinguished from the dollar of yesterday. It is still the same engraved slip of durable paper. It is still in theory backed by about the same amount of actual gold and, although it cannot now be exchanged for this mystic substance, who in the old days among our average citizens ever wanted to so exchange it anyway?

Nevertheless, the dollar has lost caste. The loss of caste, however, has many curious contradictory aspects. It applies to surpluses only. The spending-money dollars in the individual's pockets are to him very nearly, if not entirely, as desirable as they ever were. Similarly, companies, while there are exceptions, for the most part measure their present expense and wage dollars in ante-Rooseveltian dollars. Yet, the dollars which the individual or corporation has in the

(*Please turn to page 346*)

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Owing to the uncertainty which has grown out of the prospect of inflation, or at least a lowering of the dollar's purchasing power, we are not, at the present time, recommending further bond purchases for investment. This does not suggest, of course, that the individual eliminate all high-grade investment issues from his portfolio, for they possess certain advantages, regardless of conditions, not found in other securities. Among the second-grade and more speculative bonds found in these tables some undoubtedly have large potentialities. Such bonds, however, must be selected on their merits and with due regard to one's own financial condition and the degree of risk that can be assumed.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Baltimore & Ohio R. R.								
1st 4s, 1948	623	157	.8	1.0	105	91	4.8	Great size of issue depressing influence, though outlook improved.
Ref. & Gen. "A" 5s, 1995	623	187	.8	1.0	105	73	6.9	Junior to issue above.
Conv. 4½s, 1960	623	63	.8	1.0	105 '36*	66	8.7	Junior to two issues above.
Southwestern Division 5s, 1950	625	45	.8	1.0	105 '45*	85	6.5	Reasonably well secured. Further apprecia-
Pitts., L. E. & W. Va. Syst. Ref. 4s, 1941	625	53	.8	1.0	100	86	6.2	tion possible.
Toledo-Cin. Div. 1st & Ref. 4s, '59	625	23	.8	1.0	102½	70	6.4	Medium grade.
Chesapeake & Ohio Railway								
1st Cons. 5s, 5.1.39	225	30	3.5	3.2	N C	106	3.9	Investment of the highest class.
Gen. 4½s, 1992	225	50	3.5	3.2	N C	103	4.4	Junior to issue above and prior liens thereto, but still strong bond.
Ref. & Imp. "B" 4½s, 1995	225	60	3.5	3.2	110*	94	4.8	Junior to two issues above.
Hocking Valley 1st Cons. 4½s, 1999	225	16	3.5	3.2	N C	100	4.5	Assumed by C. & O. Better grade.
Great Northern Rly.								
1st & Ref. "A" 4¼s, 1961	353	72	1.3	.3	105 '41*	85	5.3	Reasonably strong.
Gen. "A" 7s, 7.1.36	353	206	1.3	.3	N C	86	12.7	Great size of issue adverse feature.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48	353	10	1.3	.3	105	90	5.0	Strong bond.
Montana Central 1st 6s, 7.1.37	353	10	1.3	.3	N C	90	9.0	Reasonably strong.
St. Paul, Min. & Man. Cons. (now 1st) 4½s, 7.1.33	353	42	1.3	.3	N C	..	..	High grade. Extension plan declared operative.
do Montana Ext. 1st 4s, 6.1.37	353	22	1.3	.3	N C	88	7.5	Reasonable security.
do Pacific Ext. 1st stg. 4s, 1940	353	£6	1.3	.3	N C	84	6.9	Good grade.
Kansas City Southern Rly.								
1st 3s, 1950	52	30	1.1	.6	N C	65	6.4	No more than fairly strong.
Ref. & Imp. 5s, 1950	52	21	1.1	.6	105	76	7.5	Junior to issue above. Almost speculative.
Texarkana & F. S. 1st 5½s, 1950	..	10	1.0	..	107½	83	7.3	None too strong.
New York, Chicago & St. Louis R. R.								
1st 4s, 10.1.37	147	17	1.0	.5	N C	86	8.2	Fairly strong.
Ref. "C" 4½s, 1978	147	96	1.0	.5	102	52	8.8	Jr. to issue above and prior liens thereto.
Notes 6s, 10.1.35	147	14	1.0	.5	100	56	...	Speculative.
Lake Erie & Western 1st 5s, 1.1.37	147	7	1.0	.5	N C	88	9.1	In a fair position. Appears reasonably priced.
Toledo, St. L. & W. 1st 4s, 1950	147	17	1.0	.5	100	69	7.2	Somewhat speculative.
New York, Ontario & Western Rly.								
Ref. (now 1st) 4s, 1992	29	20	1.5	1.7	N C	65	6.2	Though medium grade, possesses further possibilities.
Gen. 4s, 1955	29	9	1.5	1.7	110	58	8.1	Junior to issue above.
Norfolk & Western Rly.								
1st Cons. 4s, 1996	91	41	5.5	4.9	N C	99	4.0	An investment of the highest class.
Div. 1st & Gen. 4s, 1944	91	35	5.5	4.9	105	100	4.0	Junior to issue above, but still high grade.
Pocahontas C. & C. P. M. 4s, 1941	..	11	..	..	105	99	4.1	High grade.
Union Pacific R. R.								
1st R. R. & L. G. 4s, 1947	355	100	2.7	2.4	N C	99	4.1	Railroad investment of the highest grade.
1st Lien & Ref. 4s, 2008	355	86	2.7	2.4	107½	92	4.4	Junior to issue above, though still strong.
40-yr. 4½s, 1967	355	27	2.7	2.4	102½*	92	5.0	While unsecured by mortgage, must be con-
40-yr. 4s, 1968	355	20	2.7	2.4	100	86	4.8	sidered better grade investments.
Oregon Short Line 1st 5s, 1946	355	28	2.7	2.4	N C	104	4.6	High grade.
Oregon-Washington R. R. & Navigation 1st & Ref. 4s, 1961	78	54	.2	..	105	88	4.8	U. P. guarantees.
Oregon R. R. & Navig. Cons. 4s, 1946	78	23	.2	..	N C	96	4.4	Prior in lien to issue above.
Washington Terminal 1st 3½s, 1945	12	12	..	..	N C	90	4.6	Guaranteed by the B. & O. and the Phil., Balt. & Wash. R. R. High grade.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
American Telephone & Telegraph Co.								
Coll. Tr. 5s, 1946	447	67	6.4	6.8	105	106	4.4	Of the highest grade.
Deb. 5s, 1965	447	380	6.4	6.8	110*	104	4.8	Strong bond, though unsecured by mortgage.
Appalachian Electric Power Co.								
1st & Ref. 5s, 1956	84	63	2.0	1.9	104½*	88	6.0	Reasonably good caliber.
Appalachian Power 1st 5s, 1941	84	10	2.0	1.9	105	103	4.5	Prior in lien to issue above.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.4	4.6	100	97	4.2	High grade investment.
Columbia Gas & El. Deb. 5s, 1952	163	105	3.0	2.4	104*	86	6.3	Position improved. Further price appreciation possible.
Consumers Power								
1st & Ref. 5s, 1.1.36	92	33	3.9	3.0	105	104	3.3	Of the highest grade.
1st & Unif. 4½s, 1958	92	67	3.9	3.0	105*	102	4.4	Junior to issue above, but still high grade.
Dayton Power & Light 1st & Ref. 5s, 1941	20	20	3.9	3.5	105*	105	4.3	Better grade investment.
Interstate Power Co.								
1st 5s, 1957	36	29	1.4	1.2	104*	62	8.8	Small margin over charges. None too strong.
Deb. 6s, 1952	36	8	1.4	1.2	104*	50	13.3	Junior to issue above.
Koppers Gas & Coke Deb. 5½s, 1950	42	42	1.9	1.9	103½	84	7.1	Medium grade bond.
Louisiana Power & Light 1st 5s, 1957	18	18	3.2	2.4	105*	86	6.1	Reasonably good security.
Louisville Gas & El. 1st & Ref. "A" 5s, 1952	31	27	1.7	1.6	110	102	4.8	Better grade investment.
Milwaukee Gas Light 1st 4½s, 1967	14	14	2.9	2.7	107½*	101	4.4	Better grade.
Minnesota Pwr. & Lt. 1st & Ref. 4½s, 1978	36	29	2.1	1.7	102*	77	6.0	A good, medium grade issue.
New England Power 1st 5s, 1951	11	11	3.0	3.9	105	..	..	Better grade investment.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	6.8	5.0	105*	107	4.2	High grade investmnet bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	6.8	5.0	N C	111	4.0	Assumed by New York Edison. Gilt-edged.
do P. M. 4s, 1949	123	21	6.8	5.0	N C	101	3.9	
Northern States Power Co. (Minn.)								
1st & Ref. "A" 5s, 1941	100	79	2.8	2.4	102½*	102	4.7	Better grade.
Ref. 4½s, 1961	100	45	2.8	2.4	105*	92	5.0	Almost equivalent security to issue above.
Minneapolis Gen. El. 1st 5s, 12.1.34	100	6	2.8	2.4	110	103	2.9	High grade.
Oklahoma Gas & Electric Co.								
1st 5s, 1950	43	35	2.0	1.8	104*	85	6.5	Medium grade only.
Deb. "A" 6s, 1940	43	7	2.0	1.8	102½*	79	10.3	Jr. to issue above and prior liens thereto.
Utah Power & Light Co.								
1st 5s, 1944	42	37	1.8	1.6	105	78	8.1	Of fair caliber only.
1st & Gen. 4½s, 1944	42	6	1.8	1.6	102¼	..	..	Equal amount of 1st 5s pledged hereunder.
Deb. "A" 6s, 2022	42	5	1.8	1.6	110*	64	9.4	Junior to two issues above. Semi-speculative.
Utah Lt. & Trac. 1st & Ref. "A" 5s, '44	14	12	1.0	1.0	105	71	9.3	Guaranteed by Utah Power & Light.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
American Rolling Mill Deb. 5s, 1948	41	37	def.	def.	103½*	79	7.3	Doing better. Plans laid to meet November maturity.
Chile Copper Deb. 5s, 1947	35	35	1.2	def.	101½*	70	8.8	Speculative, tho outlook somewhat improved.
Crucible Steel Deb. 5s, 1940	13	10	def.	def.	102*	77	9.6	Still not strong, but outlook much improved.
Goodrich (B. F.)								
1st 6½s, 1947	43	19	def.	def.	107	91	7.5	Medium grade.
Conv. Deb. 6s, 1945	43	23	def.	def.	106*	73	9.9	Junior to issue above, though better prospects probably not over-discounted at current prices.
Int. Merc. Marine 1st & Coll. Tr. 6s, 1941	17	17	.1	def.	110	51	..	Thoroughly speculative.
Strawbridge & Clothier 1st 5s, 1948	12	11	1.4	.8	103*	..	..	Almost speculative, though prospects better.
Remington-Rand Deb. "A" 5½s, 1947	18	18	def. c	def. c	104*	72	9.1	c Years to 3.31. Still speculative, though Co. strong financially.
United States Steel Corp.								
Illinois Steel Deb. 4½s, 1940	99	19	def. a	def. a	105	103	4.0	a U. S. Steel's earnings, guarantor. All are high grade bonds.
C. L. S. & East. 1st 4½s, 1969	99	9	def. a	def. a	110	102	4.4	
Frick (H. C.) Coke Pitts-Mon. P. M. 5s, 1933-44	99	7	def. a	def. a	N C	..	..	
Not Guaranteed.								
Elgin, Joliet & East. Rly 1st 5s, 1941	12	10	def.	def.	N C	96	5.6	While recent conditions have lowered caliber somewhat, is probably attractive now.
Tenn. C. & I. R. R. Gen. 5s, 1951	..	11	..	..	N C	102	4.8	Strong, well-secured bond.

Short-Term Issues

Company	Due Date	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Atlantic Refining Deb. 5s	7.1.37	14	1.6	5.9	N C	103	4.2	Good grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	3.5	2.6	105	..	..	High grade bond.
Chicago Gas, Light & Coke 1st 5s	7.1.37	10	2.9	..	N C	104	3.9	High grade investment.
Gulf Oil Deb. 5s	12.1.37	28	def.	1.4	103½	101	4.8	"Medium to high" grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	20	2.1	9.1	102	103	4.2	Wide margin earned last year over interest requirements. High grade.
New York Telephone 1st & Gen. 4½s	11.1.39	61	4.7	3.7	110	104	3.7	Gilt-edged.
Pacific Tel. & Tel. 1st & Col. 5s	1.2.37	27	4.5	4.1	110	106	3.2	Of the highest grade.
Virginia Rail & Pr. 1st & Ref. (now 1st) 5s	7.1.34	11	3.1	..	105	101	4.0	Strong issue.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. A Actual earnings, though in some cases based upon preliminary reports.

Opportunities for Price Appreciation in the Low-Priced Rails

Kansas City Southern — Missouri-Kansas-Texas — Nickel Plate — Ontario & Western — Western Maryland

By Herbert C. Slater

A VERY simple explanation accounts for a great deal of the current upturn in railroad freight traffic. Rising prices make for more active circulation of commodities and finished products, as well as accelerated circulation of currency. When prices are declining, manufacturers and dealers and intermediate handlers do not add to stocks to any great extent and many speculative holders have to "ride it out." But a pronounced uptrend revives speculation and brings frequent changes in "spot" ownership, necessitating rail shipments to transfer physical possession of property. Moreover, price advances draw long-held stocks out of warehouses. Ultimately, all distributive channels again become active right through to the final consumer.

More freight, resulting from this revitalization of exchanges of goods and commodities, has made the transportation systems distinct beneficiaries of the sort of "jaw-bone" inflation which is more talked about than real. Since it is the declared intention of the Administration to bring prices back to somewhere around the 1924-25 levels, this movement has considerably further to go. And with retail trade likely to pick up in the autumn, continuation and broadening of the brisk movement of freight seems highly probable.

Speculative, low-priced rails have already reflected reviving public interest, along with the standard issues. On a percentage basis these stocks are far above their lows of this year; but with the traffic situation sharply reversed and likely to score even broader gains in the autumn, there are still possibilities of wide price appreciation in the low-priced group. This is particularly true of those which have been only two jumps ahead of the sheriff and may shortly hop-skip out of danger.

While receivership threats exist, the speculative risk, of course, is great. It is not wise, therefore, to venture into such stocks singly. But if the speculative investor buys a selected group of low-priced rails, he thereby spreads his risk. In a selection of five stocks, say, at present prices, it would be possible for one of the group to go completely sour, and yet the holder of the group might show a handsome profit over a period of two or three years—on the assumption, of course, that we are now headed for another period of national prosperity.

This article presents such a group, *with the strong admonition that they be purchased only as a group*; that is, that commitments in these stocks be made in an equal number of shares of each stock in the group. The group includes the common stocks of Kansas City Southern; Missouri-Kansas-Texas; New York, Chicago & St. Louis; New York, Ontario & Western; and Western Maryland — a diversified list.

At current prices the combined price of the group—that is, one share of each—is \$86. The possibilities over the future are suggested by the following comparisons in the combined price. In 1929, the combined price was \$451 at the top prices for these stocks in round figures, and total dividends of \$11 were paid. In 1930, the combined price reached a high of \$348, and total dividends amounted to \$14. In 1931, the high for the combined price was \$191. In 1932, the combined price was \$64—or below the current level.

All of these stocks made their lows of the depression last year. The combined price at the lows of 1932, taking account of fractions, was \$10.125, while this year the low touched \$26. This showing emphasizes the prudence of diversifying the risk by buying the entire group in equal proportions. As a group, however, it may be said that according to all indications the profit possibilities outweigh the risks involved. Brief analyses of the various stocks in the group follow:

Kansas City Southern

Kansas City Southern operates 838 miles of road, practically all main line, which forms the shortest route from Kansas City to the Gulf, through a normally prosperous agricul-

Comparisons of Low-Priced Rail Group

	Total Mileage	Outstanding Per Mile of Road: Funded Debt	Pfd. Stock	Com. Stock	Price Range of Common: 1933 High	1933 Low	1929 to 1931 High	1929 to 1931 Low
Kansas City Southern	838	\$73,947	\$23,783	\$33,930	22⅞	6½	108⅞	2¼
Missouri-Kansas-Texas	3,240	33,048	20,570	20,572	17⅝	5¾	66⅝	1¼
N. Y., Chicago & St. Louis	1,700	87,156	21,233	19,871	25⅜	2⅛	192⅜	1½
N. Y., Ontario & Western	568	51,543	7	102,134	15	7⅝	32	3⅝
Western Maryland	891	73,502	27,005	59,414	16	4	54	1½

tural, lumber and mining territory. It is one of the very few roads which have not had to seek outside financial assistance during depression years, and its credit is "good as the wheat." With one foot in Kansas City and the other in the Gulf region, the road has a heavy traffic interchange with roads to the north of the former and spreading fan-wise southwestward from the latter. Traffic is well-diversified, with a larger proportion of manufactures and miscellaneous freight than is common to the territory.

The most important tonnage factor is gasoline and refined petroleum. The export movement of freight through the Port Arthur terminal has declined and with the new crop less than domestic needs there seems little prospect of revival this year. Improved general business in its territory will help traffic considerably, however, and the road is well-bulwarked financially and has shown a marked ability to keep operating costs down in line with the big decrease in gross. Gross revenues for May rose above last year, and with car-loadings running around 8% above 1932 levels, better showings seem likely. Net railway operating revenue in May was $137,547, against $45,335 for the month in 1932. Longer range earnings possibilities are distinctly good. Dividends of $5 a share were paid in both 1929 and 1930.

With Chicago Great Western owning about 20% of the slightly less than $30,000,000 common stock outstanding, and with further allowance for stock held for control purposes, the floating supply of this issue is sufficiently limited to permit sharp movements.

"Katy" Missouri-Kansas-Texas is the old Missouri, Kansas & Texas, reorganized in 1923. The capital structure was considerably strengthened through reduction of a previously top-heavy indebtedness, and from the time of reorganization till the end of 1931 there has been a further reduction in funded debt from 67% of total capitalization to 44.6%, largely through conversion of adjustment bonds into preferred stock, but also through retirement of about $14,000,000 in bonds.

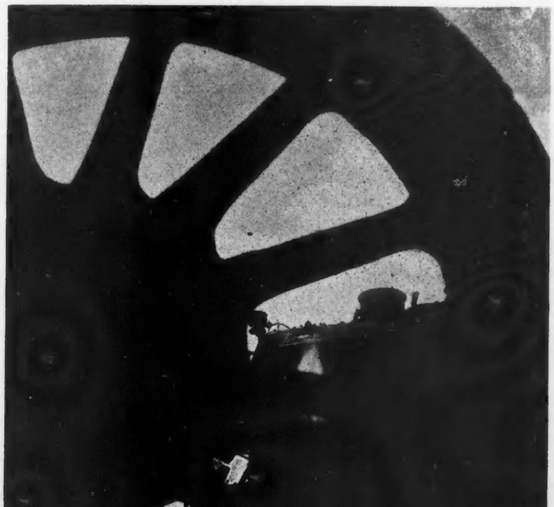
"Katy" is the largest system in the group, with 3,240 miles of road, extending from St. Louis and Kansas City, Mo., to San Antonio and Galveston, Texas. Before the depression its territory was beginning to reveal some industrial development, so that manufactured goods and miscellaneous classifications about equalled the products of farms and mines in its traffic. But truck competition has cut severely into revenues from cotton and merchandise, and this road stands to benefit considerably if Railroad Coordinator Eastman gets anywhere with his announced intention to recover for the rails some of the business lost to the highways. Higher farm commodity prices have already started a movement of wheat from elevators along "Katy's" lines. Other commodities still lag, but this may later be offset by better general business conditions in the territory. Latest available car-loadings still show decreases from a year ago, but May gross was above 1932, and net revenues were up about 50%.

"Katy" is probably covering all fixed charges under current conditions, for it was recently announced that payment in full of the interest on the adjustment bonds had been ordered for the first half of this year. Its financial position is comfortable, with total current assets more than twice total current liabilities. The cumulative preferred stocks is in arrears on dividends, so that the common is probably a considerable distance from payments, the last distribution having been $3 in 1930. Conservatively capitalized, the road is sure to earn something for its common stock sooner or later.

"Nickel Plate" "Nickel Plate"—the New York, Chicago & St. Louis—comprises some 1,700 miles of line, mainly from Buffalo to Chicago by way of Cleveland. The road has felt the financial pinch rather severely, its latest balance sheet showing current liabilities about $2,000,000 in excess of current assets. Although 93.6% of noteholders have approved the plan for refunding the issue of $20,000,000 which fell due last October, summary judgment has been granted on one relatively small block, but has been carried to appeal.

The bright spot in the "Nickel Plate" situation is the revival in freight traffic. The latest weekly report showed a gain of 25.2% in car-loadings over last year. May gross revenues were above last year, and the road reported net railway operating revenues of $562,489, against an operating deficit of $45,782 for the month in 1932.

"Nickel Plate" is an important link in the Van Sweringen lines, for which reason it seems likely that every resource will be strained to provide for its financial requirements until profits can be obtained. Its main traffic dependence is upon the automobile industry. Serving the industrial area of the Middle West, it also hauls large tonnages of coal and various manufactured products. The road has been a good earner in the past, and paid dividends of $6 a share on the common in both 1929 and 1930.


Wertz Photo, from Nesmith

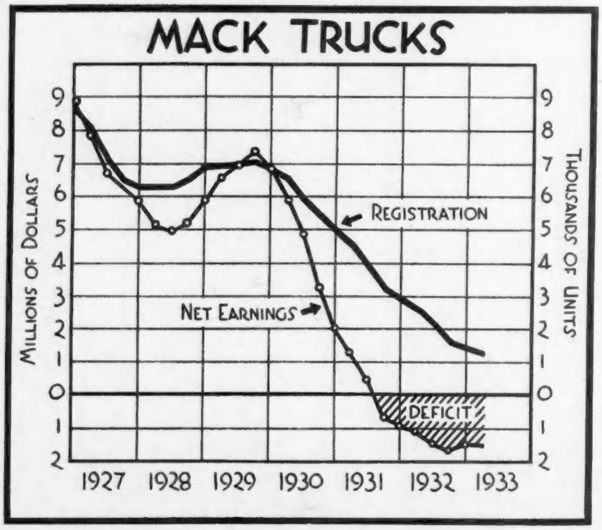
New York, Ontario & Western The New York, Ontario & Western has only 568 miles of road, the main line extending from Oswego, on Lake Ontario to Cornwall, N. Y. Through trackage rights or over leased lines, it reaches Weehawken, N. J., and taps the coal regions around Scranton, Pa. It also has entry into Utica, Rome, Edmeston and Kingston, N. Y. Connection with the New Haven provides a route from the anthracite fields of Pennsylvania to New England's industrial centers.

Hard coal makes up the most important traffic moving over "Ontario's" lines. The road made quite a remarkable come-back in earning power in 1931, when a favorable coal hauling contract brought the percentage (*Please turn to page 352*)

It's a Long Lane That Has No Turning

Recovery of Old Earning Power in Prospect—Present Price Offers Assets for 70 Cents on the Dollar

By William Wren Hay



THE rejuvenation of old, established firms that have survived the depression with their financial condition unimpaired will provide many opportunities for investment in the near future. The renaissance of such enterprises may not be as interesting to the stock market as the emergence of some new, perhaps spectacular corporations but from the investor's point of view old wine is preferred to new brews. Recent developments have already commenced to benefit some old favorites and among them is Mack Trucks, Inc.

Three years before the depression commenced to influence everyone, the business of Mack Trucks, Inc., started to decline, largely because some rapid changes occurred in the motor truck industry and by the time this producer of heavy-duty motor trucks had adjusted its operations to fit the new conditions, business of all kinds was declining rapidly. At the present time, Mack has the pleasing prospect of more and increasing business under conditions of fair competition such as its management has always stood for. In view of its former ability to do business at a profit, we would expect Mack to re-establish its earning power and to pay large dividends again.

Mack has always been profitable and over a long period of years aggregated quite substantial profits, a large portion of which is still retained in the business. Other makers of heavy-duty trucks have at times been large earners but some very heavy losses depleted their reserves and left them unable to meet the conditions existing the last few years. Following the re-organization of the old corporation, in 1916, the management of Mack Trucks, Inc., underwent a change and its present financial strength frequently excites comment in the Street for, after nearly four years of constant drain on its liquid resources, Mack closed last year with cash and governments of nearly ten millions.

The motor truck industry underwent a rather radical alteration in 1927 when users suddenly became style conscious and demanded high speed, balloon-tired vehicles of comparatively small carrying capacity. Up to then, commercial vehicles used for passenger buses as well as for load carrying were all built on motor truck chassis and Mack had made very large profits building only two sizes of heavy-duty chassis used interchangeably for passenger or load carrying. The sudden shift of users made it necessary to develop high-speed vehicles for light loads and for passenger service, which necessitated the expenditure of large amounts for development work and in the factories. At the same time, many states placed load limitations and restricted overall dimensions on commercial vehicles. The combination of these two developments resulted in limiting the market for Mack trucks more rapidly than its engineers could develop and perfect new models up to Mack standards. The effect on sales was, 1929, quite marked. The number and percentage of motor vehicles of 2½-tons and over declined rapidly after 1927 and Mack suffered severely because the largest losses occurred in the 5-ton class, its most profitable model size.

At the present time, Mack makes six regular models and builds special bodies and vehicles for many varied and unusual services. It pioneered the use of motor trucks for transportation of milk in bulk and has long been a builder of aluminum bodies and its fire-fighting apparatus is a familiar sight in most of our large cities. The largest and most profitable market for Mack Trucks is where "performance counts," in the construction field. Large fleets of Macks are owned by all the big oil companies, the railways and public utilities. Mack moving vans, bottle racks, dump trucks and other heavy load carriers are found everywhere. The legalization of beer opens up a large, new market for Macks because the brewers have always made

a feature of their delivery trucks and only big motor trucks have the same display value as the teams of big Percherons.

Mack trucks have always been known for their performance in extraordinary service. This requires the use of many alloy steel parts and its testing laboratory is one of the best in industry. An experimental laboratory has been conducted for years and every part and new model is tested under severe service conditions before adoption or manufacture. In consequence of the sturdy construction, high class and quality of materials and workmanship, Mack trucks are long-lived, as witnessed by the statement that 75 per cent of all the Macks built since 1916, the year of re-organization, were still in service at the end of 1930. The ability to keep Macks running year after year naturally calls for the replacement of worn parts and for regular repairs and this has resulted in building up a very large and important repair and replacement service and parts business.

Three manufacturing plants are owned by the corporation, one in Plainfield, N. J., where the engines are built; another in New Brunswick, N. J., where gears, transmissions, etc., are made; and in Allentown, Pa., is the chassis assembly plant and a large body building plant. Flexibility has long been the keynote of its manufacturing methods and production may be adjusted to the economical production of numbers of a few models or to a few of many models.

Mack operates over 100 factory sales branches in this country, most of them housed in buildings erected specially for Mack; fifteen company-owned branch buildings were erected, three in greater New York City, others in large market centers such as Boston, Chicago, Milwaukee, etc. A large parts depot is maintained at another plant in Plainfield, N. J., and from here parts are shipped to all branches or direct to fleet owners. These far-flung branch service stations keep a large inventory of spare parts and do a large amount of repair work for customers. So important is this phase of the corporation's business that it accounts for upwards of one-fifth of total annual sales and the last year or so it was extremely important as a cushion of stable income.

In addition to its domestic business, Mack has two factory branches in Canada and has a large foreign business, especially in South America, where its large passenger buses are popular because the service is difficult and breakdowns are infrequent. A very large number of Mack vehicles are operated by the Federal and many civil governments. None of these sales appear in the registration figures, which average to be 5 per cent of all commercial car registrations exclusive of Ford and Chevrolet, who account for 70 per cent of all motor trucks registered yearly.

Mack reached its peak in the years 1925-'26, when units sold and dollar sales were the largest. In the three years 1927-'29 about the same number of motor trucks were sold as in 1923-24, or 8,400, and domestic registrations were 6,800 each year. When the vogue of the heavy-duty motor truck commenced to wane, other makers were guilty of many reprehensible trade practices which Mack refused to lower its policies to meet. One prominent producer actually did business at a loss for years before 1930 although it sold a great many vehicles and gained a larger share of the total market. Naturally, such cut-throat competition cut into Mack's sales and the management looks forward to the early adoption of a code of fair competition for the motor truck industry to abolish these practices. This would be a decided change for the better and a certain increase in sales would accrue to Mack as one result.

A Fleet of Mack Trucks

However, the operation of the National Industrial Recovery Act would be of even greater benefit to Mack because of the very large expenditures for public works. It has been estimated by the administrators of this Act that the construction of 400 million dollars in highways will require the transportation of 12 million tons of materials, most of which would be handled by motor trucks. Even though there is a surplus of such road equipment at present, it is mainly old and out of repair, so that a large number of new trucks will be bought because the heavy service under contract condition will not admit of faulty motor truck operation. Furthermore, a proportionately large portion of the expenditures for public works will be for engineering structures, where Mack trucks are preferred by many contractors. And as recovery advances further large numbers of old motor trucks will be retired to be replaced by new and more modern units. Mack is prepared to meet these prospective buyers, with models ranging in capacity from 1½-tons to huge trailer-tractor units.

Except for a small outstanding note issue of its real estate subsidiary, the capital consists solely of 676,145 outstanding shares of no-par common stock, since two classes of preferred stock were called for redemption in 1927. At the end of last year, the tangible book value of the common shares was nearly $63, of which $40 per share was working capital, and nearly one-fourth was cash or its equivalent.

For those who like to buy assets as a hedge against the coming inflation, the common stock of Mack Trucks, Inc., is selling for only 70 cents on the dollar of assets; for investors who wish to buy income, the present dividend of $1 returns only 4 per cent, but a return of Mack to its former position as an earner would warrant a much higher price than the present levels around 41. The company's strong financial position formerly enabled it to pay approximately 75 per cent of earning, or $6 per share, as dividends. Many factors indicate that such a day may soon be seen again. "It's a long lane that has no turning."

UNITED GAS IMPROVEMENT CO.

Should Benefit from Business Improvement

A Holding Company Which Has Been More Conservatively Financed Than Many Operating Companies

By J. C. CLIFFORD

FORMED in 1882 for the purpose of acting as a gas public utility equipment manufacturer, The United Gas Improvement Co. quickly found this field too narrow and began to acquire operating gas companies. It thereby became the first public utility holding company in the country. But from the investor's point of view, if The United Gas Improvement Co. is a holding company, it is singularly free from the characteristic disadvantages of this field. In marked contrast to so many of its contemporaries whose earnings have dwindled to zero over the past few years, United Gas Improvement continues to earn and distribute dividends at the highest rate in its history.

Such a record is partly the result of a favorable territory, partly the result of a conservative capital structure, and partly the result of management. Through a number of subsidiaries in which it owns a majority stock control, or through large holdings in other public utility systems, the company's sphere of influence extends roughly from the Susquehanna River in Maryland, taking in the rich industrial section of Philadelphia, continuing up through New Jersey and Connecticut, north as far as the St. Lawrence River.

Of the subsidiaries of The United Gas Improvement Co., the most important is the Philadelphia Electric Co. Dividends received from this company are almost half the holding company's total income. Other important subsidiaries include the Connecticut Electric Service Co., the Connecticut Gas & Coke Securities Co., and others serving the cities of Bethlehem, Allentown, Harrisburg and Hazelton in Pennsylvania. These are all controlled through ownership of more than 50% of the outstanding capital stock.

Of United Gas Improvement investment holdings—less than 50% controlled—the most important is in the stock of the Public Service Corp. of New Jersey. In addition, however, a substantial interest is held in the Niagara Hudson Power Corp., the Commonwealth & Southern Corp., Connecticut Railway & Lighting Co., Kansas City Gas Co., Wyandotte County Gas Co. and American Water Works & Electric Co.

Also, as representing the original conception of United Gas Improvement when it was formed in 1882, there is United Engineers & Constructors, Inc. The latter, which is 50% owned, engages in all kinds of general engineering and construction activities and is normally profitable. Last year, however, but $21,600,000 worth of work was done, compared with more than twice this in the previous year. While earnings in the later period were sufficient to cover all ordinary and extraordinary operating expenses for the year, the company and its subsidiaries are involved in real estate projects which are estimated to result in a final loss of about $7,500,000. Provision for United Gas Improvement's share of this loss has been provided by a charge to Earned Surplus.

The capitalization of the United Gas Improvement Co. consists solely of 765,216 shares of $5 preferred stock of no-par value, followed by 23,251,720 shares of common stock also of no-par value. There is no parent company funded debt. Neither are there any bank loans payable. In a word the company's security holdings are unpledged, remaining in its possession for the benefit of its own stockholders.

On a consolidated basis, however, capitalization in addition to the preferred and common stock mentioned above consists of about $77,000,000 in subsidiary preferred stock and about $37,000,000 representing the minority interest in subsidiaries.

Consolidated Income a/c of U. G. I.
Years to March 31
(Excluding Phila. Gas Works)

	1933	1932
Gross of utility subsidiaries	$97,955,158	$104,838,692
Net after depreciation and taxes	43,635,971	45,375,303
Gross income	44,887,969	47,035,474
Balance applicable to U. G. I.	23,868,673	25,820,457
Earnings of other subs.	646,233	817,164
Deferred interest and dividends	166,076	40,717
Other income of U. G. I.	12,269,627	13,547,234
Total income	36,950,609	40,225,672
Exp., interest, taxes	2,604,503	3,041,235
Preferred dividends of U. G. I.	3,826,069	3,826,076
Balance applic. to U. G. I. common	30,520,037	33,358,361
Earned per share	$1.31	$1.43

(*Please turn to page 349*)

WESTINGHOUSE AIR BRAKE CO.

Necessitous Orders Will Bring New Activity

Deferred Demand for Railroad Equipment Must Shortly Result in Sharply Increased Earnings

By Milton T. Osgood

TAKING the broad field of railroad equipment as a whole, there is probably no industry which suffered more severely during the years of depression. As the railroads lost traffic and revenues declined, they began to skimp on repairs and maintenance of all kinds. A large amount of rolling stock in need of repairs was laid up, often to serve as a source of spare parts for other cars and locomotives, the work to as large an extent as possible being done in the railroad's own shops.

Under such conditions it is hardly surprising that the earnings statements of railroad equipment companies, one after the other, could be likened to an inundation of red ink. Nevertheless, despite the poor showing made by the industry as a whole, there were one or two companies which, because of their exceptionally favorable trade and financial situation, never reported a loss. Among the latter is The Westinghouse Air Brake Co., whose remarkable record of earnings and dividends not even the depression of 1930-1933 could sully.

This company has paid cash dividends on its common stock continuously for at least 38 years. In addition to disbursements in cash, there have been numerous stock dividends and split-ups. The dividend currently being paid is $1 a share annually and, while this is not perhaps being fully earned as yet, a strong financial position coupled with the improvement in prospect, make its continuance likely.

Consolidated Income a/c of Westinghouse Air Brake Co.

Years to December 31.

	1932	1931
Operating profit and income from investments	$2,314,166	$4,222,326†
Depreciation	892,919	1,045,230
Federal Taxes	....	21,985
Net Income	1,421,247	3,155,111
Dividends	3,1[illegible]1,750	6,295,548
Deficit	1,690,503	3,140,437
Profit and Loss Surplus	8,404,409	10,329,587
Earned per share	$0.45	$1.01

† Without deduction of unabsorbed burden of $1,729,155 which has been charged to surplus reserves set up in prior years.

The Westinghouse Air Brake Co. is both an operating and a holding company. The parent company's plant is located at Wilmerding, Pa., and here it, or certain subsidiaries, manufacture complete air brake equipment for steam, electric and street railways, air brakes for automobiles, friction draft gears, air compressors, feed water pumps, automatic couplers and a number of other products of the same general character.

Of the subsidiaries of The Westinghouse Air Brake Co., Union Switch & Signal Co. is perhaps the most important. It is a large factor in the field of railway signal and interlocking devices, block signals, automatic train control appliances and level crossing protective signals. A general line of forgings is also made. Other subsidiaries include the American Brake Co., maker of foundation brakes for locomotives, various valves and fittings, and drop forgings of all kinds; the National Brake & Electric Co., manufacturer of steel, iron and other castings; and Westinghouse Pacific Coast Brake Co., which repairs air brake equipment and engages in certain manufacturing operations. Also, The Westinghouse Air Brake Co. owns a 49% interest in the Bendix-Westinghouse Automotive Air Brake Co., the Bendix Aviation Corp. being the owner of the other 51%.

Through another subsidiary, the Westinghouse International Brake & Signal Co., The Westinghouse Air Brake Co. has important interests in companies operating in England, France, Germany, Holland, Italy, India and New South Wales. Although no definite figures are available, it is believed that the business of these foreign subsidiaries has held up relatively better than domestic business.

The Westinghouse Air Brake Co. is conservatively capitalized and strong financially. Except for an insignificant minority interest, capitalization consists solely of 3,172,111 shares of common stock of no-par value, and of these the company itself owns 64,781 shares which it carries on the books among the "Not Current" assets at cost of $1,571,979. As of December 31, 1932, current

(*Please turn to page 344*)

Opportunities in Speculative Preferreds

Accumulated Back Dividends Will Be Liquidated Gradually as Business Continues to Improve

By Philip Dobbs

THE ravages of the past three years have caused the passing of dividends not only on common stocks but many, normally sound, preferreds. As many of these issues are cumulative, the interesting point can be raised as to who is to receive these back dividends, and when?

Higher commodity prices and the business improvement which has been registered, particularly over the past three months, have created conditions especially favorable to higher prices for speculative preferreds. While there has been a marked rise in such issues, fundamentals are still favorable to many of them. As general business continues to improve, back dividends gradually will be liquidated and a large number of these preferreds again will sell on a true investment basis—in contrast to their present speculative basis. The accompanying table lists a number of cumulative preferred stocks on which there are back dividends to be liquidated. Not all, of course, will prove desirable holdings and an attempt has been made to indicate those which appear to us the best situated by means of appropriate comment.

Even with this, however, the prospective purchaser must exercise a certain judgment of his own, making sure that anything he does is really fitted to his own individual requirements and the degree of risk that it is possible for him to assume. Probably he will be well advised to give greatest weight to consideration of the near-term outlook for the particular company. It will be noted that the latest earnings are given and that, for the most part, a deficit was registered. Yet, this is really only for the "record" and has little significance, for the business upswing we are now experiencing did not really start before April and this is too recent to find a place in reported figures. Appraisal therefore must be made in most cases on current developments in the industries affected.

Having come to a satisfactory conclusion as to the near-term outlook for any particular company, consideration then should be given to back dividends and price, always bearing in mind one's own individual needs. Gauging purchases along such lines as have been suggested, there is every reason to believe that a reasonable commitment in a diversified list of speculative preferreds will have a more than usually satisfactory outcome.

Preferred Stocks With Dividend Accumulations

Company	Dividend Rate	Current Dividend	Dividend Accumulation	Latest Earnings	Current Price	COMMENT
Aluminum Co. of America	$6	$1.50	$5.25	Def. a	74	Demand ought soon to eat into metal stocks. Attractive speculatively.
American Locomotive	7	....	5.25	Def. a	57	Orders commence to come in, but stock has discounted actual improvement registered so far.
Am. Smelting & Refining 1st	7	....	7.00	Def. a	79	Higher metal prices should prove beneficial. Not unattractive.
Armour (Illinois)	7	....	17.50	Def. b	69	Proposing to give 7 shares new common for one preferred. Back dividends would be lost.
Associated Dry Goods 1st	6	....	6.00	Def. c	54	Despite improved outlook, actual retail sales are not yet satisfactory.
Bethlehem Steel	7	....	7.00	Def. d	78	Both actual business and outlook much better. Attractive.
Crucible Steel	7	....	8.75	Def. a	56	Considerable improvement registered, though dividend resumption somewhat distant.
Deere & Co.	1.40	.20	1.35	Def. b	17	Present government policies likely to prove very helpful.
General Steel Castings	6	....	12.00	Def. d	38	Outlook for railroad business better. Possesses speculative merit.
Goodrich	7	....	14.00	Def. a	60	Both business and prices much improved, but partly discounted at current prices.
Hahn Department Stores	6.50	....	9.75	Def. c	32	Dividend resumption appears a somewhat remote prospect.
Johns-Manville	7	....	3.50	Def. d	104	Strong, well situated company which is almost certain to do better in near future.
Jones & Laughlin	7	1.00	5.75	Def. d	85	Business much better. Has still further possibilities for price appreciation.
Lehigh Portland Cement	7	3.50	2.62½	Def. d	70	Should be benefited from public works. Issue with merit.
McKesson & Robbins	3.50	....	5.25	Def. a	23	Though possessing speculative appeal on various grounds, outlook is none too clear-cut.
Midland Steel Products 1st	8	4.00	2.00	Def. d	66	Prospects better. Not unattractive.
Pressed Steel Car	7	....	14.00	Def. a	14	Improvement visible, but company was severely hit.
Republic Steel	6	....	16.50	Def. d	51	Progress being made, though company has a hard row to hoe.
Shell Union Oil	5.50	....	11.00	Def. d	55	Oil situation now better. Company's past over-expansion gradually being adjusted.
Standard Gas & Electric	4	....	1.00	2.83 e	20	A "high leverage" issue. Better business outlook obscured by rate prospect.
Wilson	7	....	22.75	.22 b	71	Helped by higher meat prices. Further appreciation possible.
Worthington Pump "B"	6	....	9.00	Def. a	42	Demand for oil pumping and other equipment much improved.

a Year 1932. b Year to Oct. 29, '32. c Year to Jan. 31, '33. d 1st quarter 1933. e 12 months to 3.31.33.

Taking the Pulse of Business

— Orders Advance 25%

— Productive Activity Gains

— Steel at 58% Capacity

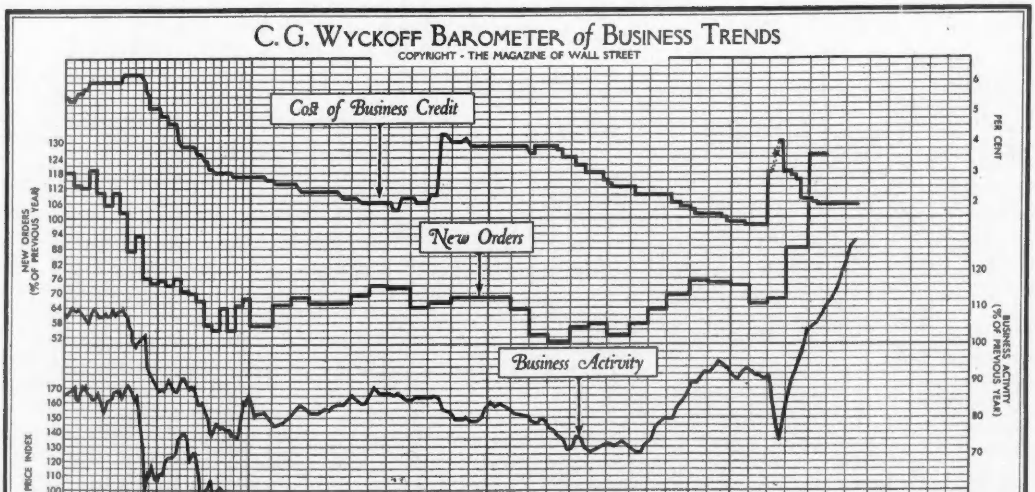
— Oil Prices Rise

— Automobile Sales Up

BY approval of the President of the United States, the cotton textile code has become a legal constitution under which that industry must operate until further notice. Other industries are slow in formulating their codes, or finding it difficult to agree among themselves, and the Administration is bringing pressure to expedite matters under authority conferred by the Recovery Act. Much credit is due the textile industry for being the first to agree upon a code; yet most of its plants are operating at capacity and enjoying the benefits of mounting prices, while many other lines are on part time and just emerging from red ink. From an individualistic view point it is quite understandable that less fortunately situated industries should hesitate about raising their costs before laying in a fair stock of goods at the old wage scales. According to the Department of Justice there has been much misunderstanding, moreover, as to the status of the anti-trust laws under the Recovery Act. It may be possible to escape some applications of these laws through codes; but "the codes will not be used to dissolve consent decree and permit things that are unethical or unfair."

Some uncertainty has also been aroused by the President's action in limiting his approval of the textile code to a four months' period, with the right to ask for a modification at any time. Many basic industries are already sufficiently risky without adding the danger of sudden changes in the rules of the game. Fortunately, however, all these revolutionary experiments in business control are being launched at a most favorable time while prices are rising and output is expanding. So long as these two prime ingredients of prosperity retain their vitality, no price fixing nor other government regulations can prevent the average well managed and favorably situated business concern from earning money. In fact, if prices continue to mount at the present rate, we may soon begin to adopt the extravagant "cost plus" system of world war days, and most of us remember the number of "war babies" which grew fat on that bottle. Under such a luxuriant system no employer objects to high wages and padded payrolls.

The fact that payrolls and department store sales are lagging somewhat behind the marked recovery in factory output of recent months is perhaps occasioning more apprehension in Government circles than seems to be warranted by a broader glance at the complete business picture. The same thing happened after the post-war depression of 1921. Industrial activity started upward in July, followed by the stock market in August. Factory employment and payrolls did not begin to show any really vital improvement until February of 1922, and it was about a month later that department store sales started to climb. The fact is that, at best, factory payrolls account for no more than a fifth of the country's purchasing power. Normally farm incomes, to which billions have been added recently, are fully as large as factory payrolls. Business profits provide another large market for goods, and these are rapidly emerging



from the pauper class. During the past year close to 40 billions of dollars, in the form of appreciation in the market value of stocks and bonds, have been added to the country's liquid capital. People who have benefited by such profits (which were far from so spectacular in 1922) are loosening their purse strings, and such freer spending puts new life into travel, furs, art, jewelry, automobiles, and many more industries of which a few are here reviewed in more detail.

The Trend of Major Industries

STEEL—Following a moderate increase during the week of July 4th, the steel rate jumped last week to 58% of capacity for the country as a whole. The greatest increases were in sections of New England and Southern states, where textile plants are booming. In New England the rate jumped 12 points, to 83%; and at Birmingham 25 points, to 75%. It is believed that, under the new code, employment in the textile industry will be at 100% within a fortnight. Of course this contributes to the prosperity of surrounding regions and helps to stimulate a miscellaneous demand for steel products. In other districts, the demand has thus far come from the tin plate and automobile industries, and from a rather widespread movement to build up depleted inventories. Automotive specifications may taper off somewhat this summer; but tin plate promises to maintain its present peak well into the autumn, when buying of rails and equipment steel will begin to put in an appearance. Present prospects therefore favor moderately profitable operations for the majority of steel plants during the remainder of the year.

METALS—Practically all non-ferrous metals—except tin, which took a breathing spell during the past fortnight—have been in demand at rising prices since our last issue. Copper has at last reached the profitable level of 9 cents domestic, with some foreign sales at 9¼ cents delivered. Lead and zinc prices are the highest in two years. A considerable portion of the demand is undoubtedly in anticipation of future requirements; since purchases for current consumption are still comparatively light, pending further improvement in the construction industry.

PETROLEUM—Since the first of June, wholesale prices for both gasoline and crude have doubled. Stocks of motor fuel are about 15% less than a year ago; while demand in May, the latest month for which Government figures are available, was off less than 2%, after including a 50% drop in exports. Production of crude during the past fortnight rose slightly, owing to the circumstance that a drop of 115,000 barrels in the flow from East Texas was slightly more than offset by a rise in other states, chiefly Oklahoma. Current prospects are that many producers and refiners will earn fair profits during the balance of the year.

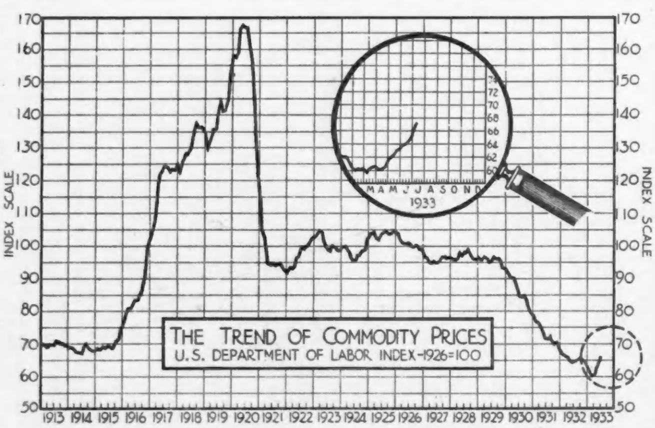
AUTOMOBILES—Production of motor cars in the U. S and Canada during the month of June are estimated at about 240,000 against 190,000 in June last year, an increase of more than 25%. There was, however, a much sharper drop this year than last, during the week of July 4, and it may be that the summer peak has been passed. Several of the larger companies, though still operating at a subnormal rate, are earning a fair profit on the larger volume; since costs have been reduced more than prices. General Motors sold in June, to consumers in the United States alone, a total of 101,327 units compared with 56,987 in June a year ago. Sales of 113,701 units to dealers at home and abroad were the largest for any June since 1929. Dodge dealer sales in June were 239% ahead of last June, and the largest for any month since August, 1926.

SHIPPING—While American shipyards are building 10% less tonnage than a month ago, and only half of 1% of the total construction throughout the world, new orders during the second quarter ran considerably ahead of tonnage launched, and considerable further relief is expected from contemplated naval construction. Ocean passenger traffic has recently improved in consequence of the rise in stock and bond prices.

FURNITURE—A sellers' market has developed recently in the furniture industry for the first time in 12 years. In several of the mid-western wholesale markets, demand has exceeded productive capacity and goods have had to be withdrawn from sale. Doubtless much of this sudden interest may be traced to anticipation of higher prices.

Conclusion

With the latest point on our New Orders graph showing an advance of 21% over bookings in the corresponding month of 1932, and with the Business Activity index registering a similarly rapid gain, it is quite evident that a large quantity of goods is being ordered, produced, and stored away, in readiness for the expanding markets of the coming year or more which now seem assured by handsome profits in securities, restored incomes for farmers, and the higher wages for labor which are demanded by the National Recovery Act. Thus far concerns have found it easy to finance all this production and accumulation of low cost goods by disposing of close to a billion dollars worth of marketable securities; so that the Cost of Business Credit remains phenomenally low. It would seem that nothing short of a violent rise of the dollar in terms of foreign currencies is likely in the near future to check the present vigorous recovery, which has already restored the general business level to about 77% of normal.

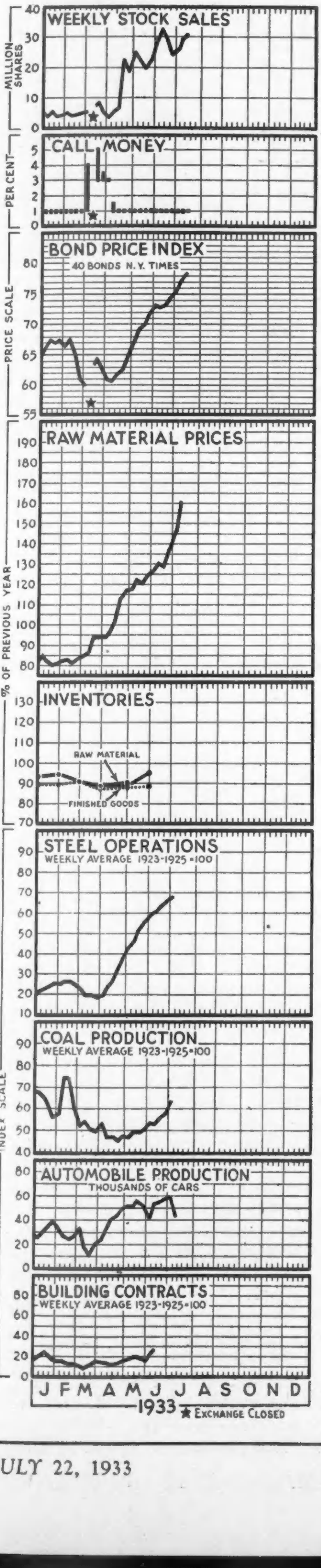


Changes in Major Commodity Price Groups for the Fortnight Ended July 8, 1933

Farm products	up	5.3	Metals	up	1.0
Foods	up	1.5	Building materials	up	2.8
Hides and leather	up	0.2	Chemicals	down	0.4
Textiles	up	2.6	House furnishings	up	0.8
Fuel and lighting	up	2.1	Miscellaneous	up	1.8

The Magazine of Wall Street's Indicators

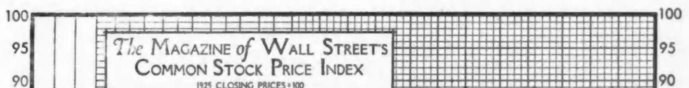
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	July 1	July 8	July 15
45.0	17.5	27.4	280	COMBINED AVERAGE	71.3	22.7	63.4	70.1h	71.3h
66.8	17.9	32.3	3	Agricultural Implements	116.0	26.8	93.8	116.0h	113.1
59.3	11.4	16.9	6	Amusements	38.0	7.3	29.4	34.2	38.0h
31.3	10.7	17.5	14	Automobile Accessories	50.9	12.4	49.0	50.9h	50.4
17.6	5.8	10.6	14	Automobiles	22.7	7.3	19.9	21.6	22.7h
62.5	16.2	56.2	4	Aviation (1927 Cl.—100)	102.9	41.8	84.1	90.5	102.9h
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	26.5	5.1	22.1	23.6	26.5h
129.9	60.1	96.0	2	Biscuit	157.5	79.9	155.4	156.4	157.5h
83.8	29.6	47.4	5	Business Machines	128.8	39.8	124.1	124.1	128.8h
119.0	51.0	101.5	2	Cans	168.9	92.9	167.0	168.9h	168.5
113.3	53.6	96.3	8	Chemicals & Dyes	278.7	73.2	211.1	216.9	278.7h
44.3	13.1	18.9	2	Coal	45.9	12.0	33.9	33.1	45.9h
24.8	9.9	14.2	14	Construction & Build. Mat	38.7	11.2	37.4	38.7h	38.4
57.2	14.9	24.0	8	Copper	86.4	21.2	75.6	86.4h	84.9
57.8	28.3	32.6	2	Dairy Products	47.7	23.0	47.7h	47.4	47.6
16.3	4.5	7.9	7	Department Stores	27.3	6.6	23.0	27.3h	26.9
74.3	35.1	53.7	8	Drug & Toilet Articles	89.0	45.3	86.5	89.0h	87.8
63.9	28.7	42.2	4	Electric Apparatus	140.0	35.6	89.7	140.0h	102.0
58.7	23.7	33.2	2	Finance Companies	87.7	33.2	87.0	87.0	87.7h
56.1	28.3	39.5	5	Food Brands	75.2	32.6	68.9	74.6	75.2h
56.4	33.9	49.6	3	Food Stores	77.5	40.5	75.1	77.2	77.5h
41.8	11.7	17.0	2	Furniture & Floor Covering	53.3	13.8	38.3	47.9	53.3h
527.8	357.9	514.0	2	Gold Mining	1212.0	481.2	1153.0	1200.0	1212.0H
21.1	9.6	12.4	4	Household Equipment	26.4	10.5	25.3	25.9	26.4h
31.5	9.5	22.0	7	Investment Trusts	38.0	14.5	34.5	38.0h	37.1
27.4	7.7	20.0	2	Mail Orders	44.4	13.5	41.0	44.2h	43.5
55.8	19.3	30.1	7	Metal Mining & Smelting	111.1	30.1	98.8	105.1	111.1h
42.4	21.6	33.2	24	Petroleum & Natural Gas	83.4	29.3	75.8	83.4h	81.2
22.5	6.2	9.8	4	Phonos & Radio (1927-100)	30.2	6.7	26.8	30.2h	29.6
94.9	37.1	63.5	20	Public Utilities	104.0	40.8	95.8	103.4	104.0h
37.8	12.0	17.7	8	Railroad Equipment	69.4	17.7	67.4	69.4h	66.4
37.8	10.4	18.1	29	Railroads	63.0	16.3	46.6	63.0h	59.1
44.4	14.9	27.0	2	Restaurants	38.9	19.9	37.7	38.9h	35.5
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.-100)	134.2	57.8	130.9	121.9	134.2h
45.9	11.7	23.3	7	Steel & Iron	69.1	19.1	64.8	69.1h	68.2
12.4	3.8	7.3	3	Sugar	29.5	7.3	22.7	23.1	29.5h
121.6	53.9	112.1	2	Sulphur	170.0	79.3	165.7	169.6	170.0h
57.2	21.0	35.9	3	Telephone & Telegraph	82.3	28.1	73.1	75.7	82.3h
52.5	16.3	30.1	5	Textiles	82.2	22.5	75.3	82.2h	80.6
11.0	2.5	4.4	4	Tires & Rubber	15.1	3.0	12.1	12.0	15.1h
68.6	40.8	48.2	4	Tobacco	87.8	46.2	84.1	87.8h	87.7
57.0	17.9	22.7	3	Traction	49.0	22.3	42.1	47.6	49.0h
50.9	23.3	34.3	2	Variety Stores	52.9	23.3	48.9	52.9h	51.4

H—New High record since 1928 h—New high this year



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

For Profit and Income

Second-Quarter Earnings

Corporate reports for the three months, which are generally supposed to have witnessed the greatest business improvement ever experienced in this country are now coming to hand. Unfortunately, there are too few as yet to enable one to make a definite appraisal of the betterment. Nevertheless, there are a few significant indications. Bohn Aluminum & Brass, for example, reported net income of $509,302 for the June quarter, compared with a small net loss in the corresponding period of last year. Johns-Manville was in the black to the extent of $92,000, while for the June quarter of 1932, a net loss of $602,270 was reported. Libbey-Owens-Ford made more than $1,500,000 in the June quarter of this year, while last year it was barely out of the red. Industrial Rayon showed a profit about double last year's losses. Similarly, Eaton Manufacturing made a profit of $268,000, against a loss of $43,000; Kroger Grocery & Baking for the twenty-four weeks to June 17 made $2,294,794, against $1,365,-045 in the corresponding previous period; Wesson Oil & Snowdrift for the May 31 quarter earned $853,000, compared with $100,000 last year, while Collins & Aikman was also in the black in the May quarter, contrasting with a loss of $109,000 last year. Because of its importance as an indicator of general business, the latest report of the Western Union Telegraph Co. is particularly gratifying. For the month of May, this company showed net income of more than $1,000,000, compared with a loss of $166,000 in May, 1932. For the first five months of this year, Western Union earned $2.08 a share on its common stock. For the corresponding previous period there was a loss. Should these be a fair sample of the reports which will be published in increasing quantities from this point on, the conclusion may be justified that the Stock Market's recent series of upward swoops are not so outside the bounds of reason as some would have us believe.

Oil in Tin Cans

Bootlegging of automobile lubricating oils has been a bad thing for refiners and distributors, but it promises to be a good thing for the makers of tin cans. Trade-marked brands of oil are now being protected by sealing them in containers against all possibility of tampering, adulteration or substitution. The idea of oil in sealed cans has worked out so well for one company which has been giving the plan a try-out in Wisconsin and Illinois since last February that it has decided to put it on a nation-wide basis. To this end the refining company has just placed an order for four million tin cans.

Developments of this sort explain why the metal container industry has grown in relative importance as a consumer of steel in the past year; and why tin-plate mills are operating at 90% and above.

The inference is that such companies as McKeesport Tin Plate, American Can and Continental Can, as well as producers of pig tin, such as Patino Mines, are reaping some degree of stabilization in the demand for their products through the growing diversification in the uses of tin plate.

Adding pipe mills to other divisions taken on for purposes of diversification was quite the fashion for iron and steel producers during the expensive era now three years past. Gas and oil pipe lines called for large tonnages—one might say mileages—and the business was profitable. But construction of transportation pipe lines has rapidly receded in importance, and only a few contracts are now in sight.

That is why those mills which specialize on the sort of tubular products used in water works and sewage projects are evincing a lively interest in the government's public works program. It is estimated that probably as much as $300,000,000 will be expended upon municipal sewer and sewage disposal plant construction and that an equal amount will go into water works. This should be particularly good news for companies like U. S. Pipe & Foundry, makers of the kind of pipe required for such activities.

The Liquor Stocks

It is perhaps both rash and premature to say that the public is more intoxicated with the liquor stocks than it will ever become as a result of imbibing their products. Nevertheless, the recent market gyrations of these stocks makes such a statement not altogether unreasonable. The stock of any company in the liquor business, likely to be in the liquor business, or which by the greatest stretch of the imagination might some day possibly be in the liquor business, has been bought avidly. An ice company suggests beer and the stock boils. Beer appears in connection with an automobile company and the stock is selling at more than $8 a share compared with a low this year of 75 cents. We hasten to add that undoubtedly there is money in beer and undoubtedly money will be made even faster than it is at the moment in liquor. But it should be realized also that the liquor stocks now are not selling on any basis which lends itself to statistical appraisal. Perhaps it is because no one knows what they are worth that they are selling where they are and, if this is so, there is no limit to the heights they can scale. In any event, it would appear to be the wisest course for those who insist upon investment representation in the liquor field to obtain their interest through the established accessory companies, the price of whose stock is still within measurable distance of its actual business base, such as Owens-Illinois Glass, Hazel-Atlas and Liquid Carbonic.

READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

Trade Acceptances Misused?

Editor, READERS' FORUM:

In your issue of June 10 you define a trade acceptance but to my mind, omitted from the definition one important ingredient. It was lack of understanding of that ingredient which, according to information, had much to do with the unwillingness to adopt the use of this type of paper. A trade acceptance is a document which grows out and is inherent in the original purchase and sales transaction. Too many people imagine that through some necromancy, stamping or printing of the words "Trade Acceptance" lent authority to the piece of paper on which the transaction was recorded.

According to information from bankers and business men trade acceptances were grossly misused as means for further deferring payment of overdue accounts. Such misunderstanding and misuse was not entirely on the part of those who might be termed ignorant of business usage, but in my own experience, such misuse occurred in the hands of some concerns that were pretty well established and pretty well known as experienced and well informed business organizations.

In your quotation you recite the circumstances of paying a 30-day obligation with a trade acceptance. At a conference which I had the pleasure of attending, one of the largest concerns advocating the use of trade acceptances reported their ascertainment of the fact that for a 30-day transaction, trade acceptances had no place. Apparently the decisions of those with whom I have talked, are that trade acceptances are peculiarly available for and desirable in the case of purchases that are normally subject to extended time payments. It is a curious thing that, at the time of trying to promulgate the advantages of trade acceptances there were some concerns who denied the use to their own customers, although advocating their use to the general public.

As regards the general use of acceptances for current trade, one banker protested emphatically against making the bank collector for merchandise accounts. He said that the banks, at the time of the discussion, had troubles enough of their own without undertaking to run a collection agency for those who bank with them.—P. D. Q., Pawtucket, R. I.

Editor's Note:

There are two kinds of acceptances —finance bills, which constitute an agreement to repay loans of money or credit; and trade acceptances which, as you point out, are founded upon *bona fide* purchases of goods. This was implied in our illustration, and elsewhere in the article to which you refer. You are also correct in stating that such paper is not properly to be used as a device to collect overdue accounts. Much of the objection which bankers entertain against trade acceptances is based upon their misuse. If acceptances are drawn and accepted by business men who take pride in meeting their obligations promptly they are nearly as easy for a bank to collect as an ordinary check. But a bank is quite right in objecting to act as a collection agent for its depositors, if depositors expect the bank to bring pressure to bear upon delinquent creditors. All the bank is supposed to do is to put the acceptance through for collection, like a check. If the acceptor's account is not good for the amount, when due and presented, then the paper is simply protested, and there the bank's responsibility ceases. The drawer of a draft should not present it for discount at his bank, unless reasonably certain that the acceptor will meet the obligation promptly. Lack of this care naturally impairs his own credit standing at the bank.

The legitimate use of trade acceptances is of unquestioned advantage to everyone concerned; but its growth in this country is likely to be slow, since we have long been accustomed to the open account, and people are reluctant to take on new ways of doing business. We cited a maturity of thirty days in our illustration merely to simplify the explanation. Maturities vary according to long established practice; though the majority of trade acceptances are for 60 days. Thirty-day paper constitutes perhaps 10% to 15% of the total issued.

If you or your banker have not already seen it; perhaps you might be interested in a pamphlet entitled "Trade Acceptances," published by the American Acceptance Council, 120 Broadway, New York City.

Building Boom?

Editor, READERS' FORUM:

In your issue of July 8, M. David Gould speaks at some length on the outlook for the building industry. I note with interest that he points out the building boom began to subside long before the crisis in 1929.

I am not a student of economics and general trends, but I do travel about the country considerably and from what I have seen, capped by the modern construction evidenced at the World's Fair, it seems to me that Mr. Gould's optimism for the building trade is most conservative. Consider that only a small fraction of the country is housed in modern, substantial buildings. All through Florida one is made aware of the fallacy of cheap materials as houses crumble and rot in periods of months unattended. Throughout the rest of the South, speaking broadly, mill workers and farm hands live in hovels and tenements of the worst sort. It is not possible that they do not desire better living, and the Administration's policies give hope for "the forgotten man." The wealthy, themselves, live in houses crumbling with age and climatic conditions, and obsolete in many cases to the point of inconvenience. *(Please turn to page 349)*

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

AMERICAN ICE CO.

Please give me the latest information you have concerning American Ice. Do you think its prospects in the beer industry indicate larger earnings in face of the increasing competition in this field? Do you think it has already discounted any possible increase in earnings? Would you continue to hold or sell 200 shares of its stock bought a year ago slightly above this year's high?—M. R. T., Houston, Texas.

While the weather element accounts to a large degree for irregularity in earnings record of American Ice Co., the sharp inroads consistently being made in the company's business by domestic electric refrigeration, has tended to reduce earnings in more recent years. In an effort to offset this loss of business the company has carried on a program of expansion with a view toward diversifying its operations. The most recent move along this line has been a venture in the laundry business last year, which division is reported to be progressing at a satisfactory rate. In the interest of further diversification, the management recently announced that consideration is being given to the plan of distributing beer, a factor that is largely responsible for the recent sharp rise in quotations for the common stock. It was stated at the time that the equipment necessary for this business could be obtained by changes in bodies on some of the trucks of the company, a conversion involving but a small cash outlay. Of course the trend of profits to be derived from this division of the company's operations are problematical as it is becoming increasingly apparent that competition in the beer business will be keener with the entrance of each new unit in the field. It is quite possible, on the other hand, that the trucking or distributing phase of the business may not be as developed as the production end and that there are still sizeable profits to be derived from that department. With this thought in mind, and purely on a speculative basis, maintenance of present holdings of American Ice common would appear to be justified.

MOTOR WHEEL CORP.

I have been holding 100 shares of Motor Wheel Corp. purchased at 28⅛. I have not seen any late data as to how this company is faring—and I would be interested in knowing if, in your opinion, its stock should be held or sold.—O. R. T., San Francisco, Calif.

Motor Wheel Corp., reports that its operations for the second quarter of 1933 will offset the loss of $227,578 for the first quarter, so that the first half of this year will be profitable. Shipments in June were the largest since May, 1929, and the indications are that July operations will continue at a high rate. The company supplies wheels for Auburn, Buick, Chrysler, Dodge, De Soto, Graham, Hudson-Essex, Nash, Packard, Plymouth and Reo cars, or about 34% of the country's automobile output, and 14 manufacturers use the centrifuse brake drums developed by this organization. Thus results for the initial six months of this year were doubtless much better than for the corresponding interval of the past three years, when losses were sustained throughout 1932, 1931 and 1930. In spite of these deficits, finances have been well maintained, current assets on March 31, 1933, being $2,323,714, including $950,472 cash and marketable securities, against current liabilities of $838,426. In addition to the favorable aspects found in the renewed activity throughout the automobile industry, Motor Wheel is now reported to be making steel beer barrels, thereby entering a new field of large potentialities, giving a degree of diversification of output to meet possible later slumps in the line in which it has previously specialized. Hence, further speculative retention of your stock is advocated.

BAYUK CIGARS, INC.

What is your opinion of Bayuk Cigar common? With its large rise this year, as compared with other securities, would you continue to hold or switch to some other stock which has not advanced so far?—L. O. R., Salt Lake City, Utah.

As a result of the drastically curtailed purchasing power of the public,

(Please turn to page 341)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/12/33	Share
Atchison	202⅜	79¼	94	17⅞	80⅛	34⅝	75	..
Atlantic Coast Line	120	25	44	9¾	57⅜	16½	55	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	37⅞	8¼	35	..
Bangor & Aroostook	66¾	18	35¾	9½	40	20	37½	2
Brooklyn-Manhattan Transit	69⅜	31⅛	50¼	11⅛	4¼	21¾	40½	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	20⅞	7½	19	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	48	24⅝	46	2½
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	7½	1	6⅞	..
Chicago & Northwestern	45½	5	14½	2	16	1¼	14	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	10⅛	2	8½	..
D								
Delaware & Hudson	157½	64	92½	32	93¾	37⅝	88¼	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	46	17¼	41½	..
E								
Erie R. R.	39¾	5	11¾	2	22¼	3¾	19¼	..
G								
Great Northern Pfd	69¾	15⅝	25	5½	33¾	4⅝	31	..
H								
Hudson & Manhattan	44½	26¼	30¾	8	19	11½	16	..
I								
Illinois Central	89	9⅛	24⅞	4¾	44½	8½	41	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	10¼	4⅛	9½	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	21⅞	6½	21	..
L								
Lehigh Valley	61	8	29¼	5	27¾	8⅝	25⅜	..
Louisville & Nashville	111	20¼	38¼	7½	67¼	21¼	63½	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	17⅛	5¾	15¼	..
Missouri Pacific	42¾	6⅝	11	1½	10¼	1⅛	8¼	..
N								
New York Central	132¼	24⅞	36⅝	8¾	58½	14	54½	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	25⅜	2⅛	20¾	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	34¼	11⅛	31¾	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	15	7⅝	13⅛	..
Norfolk & Western	217	105⅝	135	57	177	111½	168¼	8
Northern Pacific	60⅞	14½	25⅜	5½	34⅞	9⅝	31½	..
P								
Pennsylvania	64	16¼	23⅜	6½	42¼	13¾	38⅜	.50
Pere Marquette	85	4	18	1¾	36	3⅞	35	..
R								
Reading	97½	30	52¼	9¼	62½	23½	60	1
S								
St. Louis-San Fran	62¾	3	6⅝	⅝	9	⅞	7	..
St. Louis-Southwestern	33½	4¼	13⅞	3	20	5¼	20	..
Southern Pacific	109½	26½	37⅝	6½	38¾	11⅛	35¼	..
Southern Railway	65⅞	6⅜	18½	2½	31¼	4⅛	30⅛	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	132	61¼	125¾	6
W								
Western Maryland	19⅝	5	11⅜	1½	15¼	4	14⅝	..
Western Pacific	14⅞	1¾	4¾	½	9½	1	8¼	..

INDUSTRIALS and MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/12/33	Share
Adams Express	23½	3⅛	9½	1⅝	13¾	3	12⅜	..
Air Reduction, Inc	109¾	47⅝	63½	30⅞	99½	47½	98¼	3
Alaska Juneau	20⅛	7	16⅝	7¾	24⅞	11⅛	23	.60
Allegheny Corp	12¾	1⅛	3⅝	⅜	8¼	⅞	7	..
Allied Chemical & Dye	182¾	64	88¼	42½	135	70¾	128	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	26⅜	6	24⅜	..
Amer. Brake Shoe & Fd	38	13½	17⅞	6½	42½	9⅛	39	.60
American Can	129¾	58⅛	73⅞	29⅝	96⅞	49½	92¾	4
Amer. Car & Fdy	38¾	4½	17	3⅛	36½	6⅛	32½	..
Amer. Com'l Alcohol	14½	5	27	11	66¼	13	63¾	..
American Ice	31⅝	10½	21⅝	3⅜	17½	3¾	13⅞	..
Amer. International Corp	26	5	12	2½	15⅛	4¼	13⅝	..
Amer. Mchy. & Fdry	43¾	16	22¼	7½	22⅜	8¾	20⅞	.80
Amer. Power & Light	64⅞	11⅝	17¼	3	18½	4	17½	..
Amer. Radiator & S. S.	21½	5	12¼	3⅛	19	4⅞	17½	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	31⅞	5¾	29½	..
Amer. Smelting & Refining	58½	7½	27¼	5⅛	39⅜	10¾	37¼	..
Amer. Steel Foundries	31¼	5	15⅛	3	27	4⅝	24	..
Amer. Sugar Refining	60	34½	39¼	13	70	21½	69¾	2
Amer. Tel. & Tel	201¾	112⅛	137⅜	70¼	134⅜	86½	129⅞	9
Amer. Tobacco Com	128¾	60½	86¾	40½	90¼	49	87	5
Amer. Tob. B	132¾	64	89¾	44	94¾	50¾	91½	5
Amer. Water Works & Elec	80¾	23⅛	34½	11	41½	10⅞	39⅜	1
Amer. Woolen	11⅞	2⅝	10	1⅝	17	3½	15	..
do Pfd	40	15¼	39⅞	15½	61½	22⅝	58	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	21⅜	5	20⅛	..
Armour Ill. A	4½	¾	2¾	⅝	7¾	1⅛	6⅜	..
do B	2⅞	½	2	⅜	4½	¾	4	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	31⅞	12⅜	31	1
Auburn Auto	295½	84½	151¾	28¾	79	31¼	78¾	2
Aviation Corp. Del	6⅛	2	8⅞	1½	14½	5½	14¼	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	17⅝	3½	15¾	..
Barnsdall Corp. Cl. A	14½	4	7	3⅜	11	3	10¾	..
Beatrice Creamery	81	37	43½	10½	27	7	25¾	..
Beech-Nut Packing	62	37½	45¾	29¼	70½	45	68¼	3
Bendix Aviation	25½	12⅝	18¾	4½	20⅞	6⅛	19⅛	..
Best & Co	46¼	19¾	24⅞	5¾	31⅜	9	29¼	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931 High	1931 Low	1932 High	1932 Low	1933 High	1933 Low	Last Sale 7/12 '33	Div'd $ Per Share
Bethlehem Steel Corp	70⅛	17¼	29⅝	7¼	49¼	10⅛	45⅞	..
Bohn Aluminum	43	15½	22¼	4⅞	54½	9½	50	1
Borden Company	76½	35⅛	43⅛	20	37⅜	18	36	1.60
Borg Warner	30¾	9	14¼	3⅜	21⅝	5½	19¾	..
Briggs Mfg.	22¾	7½	11¾	2⅞	13¾	2⅝	12¼	..
Burroughs Adding Mach	32¼	10	13¼	6¼	20⅞	6⅛	19¼	.40
Byers & Co. (A. M.)	60¾	10⅞	24⅝	7	34	8½	31⅞	..
C								
California Packing	53	8	19	8	31½	7¾	28¾	..
Canada Dry Ginger Ale	45	10⅜	15	6	27¾	7½	26¾	1
Case, J. I.	131½	33¼	65¾	16¾	100¾	30½	97¼	..
Caterpillar Tractor	52½	10¼	15	4⅜	29¾	5½	27¾	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	32⅛	5⅞	32⅛	..
Chesapeake Corp	54⅛	13⅞	20¾	4⅞	52½	14⅞	47½	2
Chrysler Corp	25¾	11¾	21¾	5	38¾	7¾	36⅞	..
Coca-Cola Co	170	97½	120	68½	103¼	73½	102¾	6
Colgate-Palmolive-Peet	50½	24	31½	10¼	22	7	19½	..
Columbian Carbon	111⅝	32	41⅞	13½	71½	23⅛	65½	2
Colum. Gas & Elec	45⅝	11⅝	21	4¼	27½	9	26	§.80
Commercial Credit	23¼	8	11	3⅞	15⅛	4	13	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	43½	18	39¼	2
Commercial Solvents	21½	6⅝	13¾	3½	36¼	9	36	.60
Commonwealth & Southern	12	3	5⅛	1⅝	6⅛	1⅜	5	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	22⅜	7⅜	20¾	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	64⅛	40	60⅞	3.40
Consol. Oil	15⅞	4⅛	9	4	15¾	5	15	..
Continental Baking Cl. A	30	4½	8	2⅞	18¼	3	16½	..
Continental Can, Inc	62¾	30¼	41	17⅝	64½	35¼	61⅞	2
Continental Insurance	51⅞	18⅛	25¼	6¾	36½	10½	34¼	1.20
Continental Oil	12	5	9⅜	3⅝	19½	4⅞	18¾	..
Corn Products Refining	86⅝	36¼	55⅜	24¾	83½	45⅜	81	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	63¼	14¼	58¾	..
Cudahy Packing	48⅞	29	35½	20	59½	20¾	53¾	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	4⅜	1½	4	..
D								
Diamond Match	23	10⅝	19⅛	12	29½	17½	27½	1
Dome Mines	13½	6⅝	12⅞	7½	35⅜	12	33¼	*1.55
Dominion Stores	24	11	18½	11¼	25	10½	24½	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	18	10¼	16¾	.75
Drug, Inc	78¾	42¾	57	23	63½	29	56	3
Du Pont de Nemours	107	50¾	59¾	22	84⅞	32⅛	80⅛	2
E								
Eastman Kodak Co	185¾	77	87⅞	35¼	86¾	46	83¼	3
Electric Auto Lite	74⅜	20	32¾	8½	26⅜	10	24⅝	..
Elec. Power & Light	60¾	9	16	2¾	15⅜	3⅛	14	..
Elec. Storage Battery	66	23	33¼	12⅝	54	21	52	2
Endicott-Johnson Corp	45⅜	23½	37¼	16	61⅝	26	61	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	27½	9⅛	26⅞	.40
First National Stores	63	41	54½	35	70¾	43	68	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	4⅞	¾	4½	..
Freeport Texas Co	43¼	13¼	28⅝	10	41	16⅛	40	2
G								
General Amer. Transport	73⅛	28	35¾	9½	42	13¾	41⅛	1
General Asphalt	47	9⅝	15½	4¾	22⅛	4⅝	21⅜	..
General Baking	25⅝	9½	19⅝	10½	20⅞	13	19¾	1
General G. & E. A.	8½	1¼	2¾	⅜	2⅞	⅝	2⅜	..
General Electric	54¾	22⅞	26⅛	8½	30¼	10½	28⅝	.40
General Foods	56	28¼	40½	19⅝	39	21	37⅜	1.60
General Mills	50	29⅛	48½	28	71	35½	63	3
General Motors Corp	48	21⅜	24⅝	7⅝	33¼	10	32½	1
General Railway Signal	84⅛	21	28⅝	6⅛	49½	13¼	44¾	1
General Refractories	57⅜	12	15⅜	1¾	19¾	2½	17	..
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	16⅝	1
Gold Dust Corp	42⅛	14½	20⅝	8¼	26¾	12	25¼	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	18⅛	3	17½	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5½	42	9¼	41	..
Gulf States Steel	37½	4	21⅛	2½	36	6¾	34¾	..
H								
Hershey Chocolate	103¾	68	83	43½	58⅞	35⅛	57	3
Houston Oil of Texas (New)	14	3	28¼	8¾	37½	8¼	36	..
Hudson Motor Car	26	7¾	11¾	2⅞	16	3	15	..
Hupp Motor Car	13⅛	3¾	5⅜	1½	7¼	1⅝	6¾	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	76¾	19⅛	67	1½
Inter. Business Machines	179¾	92	117	52½	140	75¾	138¼	6
Inter. Cement	62½	16	18¾	3⅝	39⅛	6⅛	36¼	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	45	13⅝	43⅜	.60
Inter. Nickel	20⅛	7	12½	3½	20¾	6¾	20⅜	..
International Shoe	54	37	44⅜	20¼	54	24⅜	51⅜	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	21⅛	5⅛	19⅝	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	58½	12¼	54	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	25⅝	7⅜	23⅞	..
Kresge (S. S.)	29⅝	15	19	6⅝	16⅞	5½	16¼	..
Kroger Grocery & Baking	35½	12½	18⅞	10	35⅝	14½	35	..
L								
Lambert Co	87⅞	40⅛	56¾	25	40¼	22⅛	38¼	4
Lehman Corp.	69⅜	35	51⅞	30½	79⅜	37½	78½	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	97⅜	49¼	92⅞	*5
Liquid Carbonic	55⅛	13½	22	9	42	10¼	41½	..
Loew's, Inc	63½	23⅞	37¾	13¼	27¾	8½	26¾	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	42½	19¼	42⅜	2
Lorillard	21⅞	10	18⅜	9	25¼	10⅜	24⅛	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	46⅜	13½	42¾	1
Macy (R. H.)	106¼	50	60½	17	65¾	24¼	62	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/12/33	Share
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	10	.40
Mathieson Alkali	31½	12	20⅞	9	36⅞	14	36¾	1½
May Dept. Stores	39	15⅝	20	9½	32	9¾	30⅞	1
McKeesport Tin Plate	103½	38½	62¼	28	90	44⅛	86¼	4
Mont. Ward & Co.	29¼	6⅝	16½	3½	28⅞	8⅝	27⅝	..
N								
Nash Motor Co	40⅞	15	19¾	8	27	11⅛	26¼	1
National Biscuit	83¾	36⅜	46⅞	20¼	60⅝	31½	58¾	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	22¼	5⅛	20½	..
National Dairy Prod	50¾	20	31⅜	14⅜	25	10½	24	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	20⅜	6⅞	19⅛	1
National Steel	58⅛	18½	33⅞	13½	55⅛	15	53¼	1
North Amer. Aviation	11	2⅜	6⅝	1¼	8½	4	7⅞	..
North American Co.	90¼	26	43¼	13¾	36¼	15¼	34⅜	§8%
O								
Ohio Oil	19½	5⅛	11	5	17⅝	4¾	16	..
Otis Elevator	58½	16⅛	22½	9	24½	10⅛	23	.60
Otis Steel	16⅜	3½	9¼	1¼	9¼	½	8¼	..
Owens Ill. Glass	39¾	20	42¼	12	93⅞	31½	91¼	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31½	20	31	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	36	3
Packard Motor Car	11⅞	3⅞	5¼	1½	6¾	1¾	6	..
Paramount Publix	50¼	5½	11½	1½	2½	⅛	2⅛	..
Penney (J. C.)	44¾	26¾	34½	13	47	49½	45⅞	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	68⅝	4
Phelps Dodge Corp	25⅝	5⅞	11⅝	3⅞	17	4½	16	..
Phillips Petroleum	16⅝	4	8⅛	2	17⅞	4¾	17	..
Proctor & Gamble	71¼	36⅜	42¾	19⅞	44¾	19⅝	44	1½
Public Service of N. J.	96½	49⅛	60	28	57⅛	33¼	53¼	2.80
Pullman, Inc.	58½	15¼	28	10½	58⅛	18	54⅛	3
Pure Oil	11⅞	3¼	6½	2⅞	10⅞	2½	10⅛	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	25⅜	5⅞	24¼	1
R								
Radio Corp. of America	27½	5⅛	13½	2½	12¼	3	11	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	5¾	1	4⅞	..
Remington-Rand	19¾	1⅞	7½	1	10⅞	2½	10⅜	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	22⅜	4	21⅝	..
Reynolds (R. J.) Tob. Cl. B	45½	32½	40¼	26½	50½	26½	49⅞	3
Royal Dutch	42⅝	13	23¾	12⅛	35½	17⅝	33⅞	.80½
S								
Safeway Stores	69½	38⅝	59¼	30⅛	57¾	28	54⅝	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	46⅜	12½	43⅜	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅝	33⅞	15	32⅛	.60
Servel, Inc.	11¾	3½	5⅜	1½	5⅝	1½	5⅛	..
Shattuck (F. G.)	29½	8¼	12¾	5	13¼	5¾	12¼	.24
Shell Union Oil	10¼	2½	8¾	2½	11⅝	4	10¼	..
Simmons Co.	23¾	6⅞	13⅜	2¾	24	4⅜	23	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	15½	6	14⅝	..
So. Cal. Edison	54½	23⅜	32¾	15¾	28	17½	26	..
Standard Brands	20½	10½	17⅞	8⅜	29¾	13¾	29½	1
Standard Gas & Elec. Co.	88⅜	25⅛	34¼	7⅝	22½	5⅛	19⅞	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	40⅛	19½	39⅝	..
Standard Oil of N.J.	52½	26	37⅜	19⅞	40¾	22¾	40⅛	1
Stewart-Warner	21⅞	4¾	8½	1⅞	9⅜	2½	8⅛	..
Stone & Webster	54½	9⅞	17⅜	4⅝	18⅝	5¾	17⅝	..
Studebaker Corp	26	9	13¾	2½	8⅜	1½	8	..
T								
Texas Corp	36¼	9⅞	18¼	9¼	28⅝	10¾	27¼	1
Texas Gulf Sulphur	55¾	19½	26¾	12	34½	15¼	33⅛	1
Texas Pac. Land Tr	17⅝	4¼	8½	2½	11⅛	3½	9⅞	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	10¾	3⅛	9⅞	..
Timken Roller Bearing	59	16½	23	7¾	35½	13¾	32⅞	.60
Transamerica Corp	18	2	7⅛	2⅛	8⅞	2⅝	8⅞	..
Tri-Continental Corp	11¾	2	5½	1½	8¾	2¾	8	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	39½	9¼	37	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	45⅞	19¾	44⅞	1
Union Oil of Cal.	26⅝	11	15⅜	8	23⅜	8½	21⅞	1
United Aircraft & Trans.	38⅞	9⅞	34⅜	6½	39⅞	16½	38⅛	..
United Carbon	28¾	6⅛	18	6⅝	27½	10¼	27	1
United Corp.	31¼	7½	14	3½	14½	4⅞	13	.40
United Corp. Pfd	52⅛	26⅛	39⅜	20	40⅞	24⅞	37¾	3
United Fruit	67¾	17½	32⅜	10¼	65⅛	23¼	61¼	2
United Gas Imp	37½	15⅜	22	9¼	24½	14	22⅞	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	90¼	13½	86⅛	..
U. S. Pipe & Fdy	37⅛	10	18⅛	7¼	22⅛	6⅛	20	.50
U. S. Realty	36¾	5½	11¾	2	14½	2½	12½	..
U. S. Rubber	20⅜	3½	10¼	1¼	16	2⅞	15	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	58⅜	13½	56¾	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	66½	23⅜	64¾	..
U. S. Steel Pfd.	150	94	113	51½	104½	53	101⅛	2
Util. Power & Lt. A	31	7⅞	10⅜	1½	8⅞	1⅞	7½	..
V								
Vanadium Corp	76¾	11	23¾	5¼	31½	7⅝	30	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	8½	1	7⅞	..
Western Union Tel.	150¾	38½	50	12⅜	69½	17¼	69	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	35⅝	11¾	34	1
Westinghouse Elec. & Mfg.	107¾	22½	43½	15⅝	56⅛	19⅜	53¼	..
White Motor	26¼	7⅜	27¼	6⅞	26⅜	16	26⅝	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	50⅞	25⅛	49	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	39⅞	8	36¾	..
Wrigley (W., Jr.)	80⅜	46	57	25¼	51	34½	51	3

§ Payable in stock. * Including extras.

Answers to Inquiries

(Continued from page 336)

earnings of Bayuk Cigars, Inc., have followed a consistently downward course during the past three years. For the calendar year 1932 operations incurred a deficit of $1,262,556, in contrast with profits of $255,751 or 1 cent a share on the common stock, after preferred dividends, for the preceding year. It should be noted, however, that the 1931 results were before inventory adjustments amounting to $1,107,012. With a view toward adjusting its price schedules to existing conditions, the company effected a 50% reduction in the retail price of its most important brand, "Bayuk Phillies" to 5 cents in January, this year. Largely as the result of this move, as well as moderately improved conditions, the downward trend of earnings has been checked. For the initial quarter of 1933, a profit equivalent to $1.21 a share on the common, after preferred dividends, was reported against a net loss of $76,148 for the corresponding interval of 1932. Recent reports indicate that the second quarter sales volume was even more than for the first three months of the year. While admittedly, profits per unit are lower than in former years, the increased volume should tend to offset this factor. Thus, it would appear that the semi-annual report of Bayuk Cigars will reveal a substantial improvement over that of a year earlier. Certainly the pronounced rise in prices for the common stock of the company has gone far to discount the more favorable outlook. Nevertheless, assuming that the improvement can be sustained during the balance of the current year, and in the light of Bayuk's satisfactory financial condition, further retention of present holdings would appear to be justified with a view toward possible resumption of dividend distributions on the common stock in the not too distant future.

NEW YORK, NEW HAVEN & HARTFORD R. R. CO.

What is your advice to a holder of 100 shares of N. Y., N. H. & H. common bought at 84⅞? Do you believe it offers enhancement possibilities in line with the general market, or would you recommend a switch to some other stock?—L. M. O., Chicago, Ill.

Industrial improvement in New England has not been reflected in the latest available income of the New York, New Haven & Hartford Railroad for the five months ended May 30,

1933, when a deficit of $3,477,743 was reported compared with a surplus of $1,178,001 for the corresponding period a year before. Also, the financial condition was still unbalanced on April 30, last, when current liabilities of $28,749,536 exceeded current assets of $17,852,880. Neither of these figures need cause undue alarm to stockholders, however, because the New Haven has demonstrated good earning power under normal conditions and its large uncapitalized assets give assurance of financial security if it should be necessary to use them. Many favorable factors are now in view, including the upturn in manufacturing activity in the territory, larger freight loadings, further operating economies and the conclusion of an agreement between the New Haven and the Boston & Maine for joint use of equipment, co-operation in train services and the elimination of duplicate facilities wherever possible. The New Haven's efficiency is shown by its 1932 operating ratio of 70.67% compared with 76.83% average for the other class one roads. The progressive management of the road is taking vigorous steps to meet the competition of highway passenger transport by co-ordinating its rail lines with steamship and air services, this offering great inducements for increasing its passenger traffic. All in all, the outlook is sufficiently bright to warrant the retention of speculative holdings of the stock bought at prices well above current levels.

ARCHER-DANIELS-MIDLAND CO.

I hold 100 shares of Archer-Daniels-Midland at 46¼. Since you recommended this stock in your May 27th issue, I have been intending to average, but it has risen 5 points in the meantime. Please advise me on any new developments affecting this company's outlook, and whether you would buy at today's prices.—T. L. V., St. Louis, Mo.

By virtue of the fact that the principal product of Archer-Daniels-Midland Co., linseed oil, is used in paint, sales and profits of the company have been depressed as a result of the apathy in the building industry during the past three years. Nevertheless, the fact that the company has been able to keep out of the red, speaks well for the management and augurs well for its future prospects. The latest statement of income available is that for the nine months ended April 1, 1933, for which period a profit of 82 cents a share on the common stock was reported, against 87 cents for the corresponding previous period. While no balance sheet has been reported since June 30, 1932, it is believed that the strong financial position in evidence at that time has been maintained. The outlook for the company appears distinctly promising in that sales should be favorably influenced not only by the Government's building plan, but the trend toward renovation of homes on the part of the public, visible in the more recent past. Furthermore, the company is interested in a wide variety of vegetable oils and through the Commander-Larabee Corp. is engaged in the business of flour milling and the storage of grain on a large scale, an interest that should prove profitable during the current economic upswing. Despite the recent rise in prices for the common stock, the shares are not unreasonably valued, when consideration is given to the longer term outlook for the company, and commitments around current levels appear wholly justified.

CORN PRODUCTS REFINING CO.

Can you favor me with a brief, up-to-date anaylsis of Corn Products Refining Co.? I have 100 shares on which I now have a nice profit, and have been advised to buy another 100 shares on any recession. Your counsel has been profitable to me in the past and I will be guided by any information you give me.—H. R. B., Canton, Ohio.

Corn Products Refining Co.'s volume for the first six months of this year was about 29% larger than for the similar period last year and profits for the second quarter of 1933 are estimated at $1 a share, against 65 cents a share in the first quarter. Operations in April and May were at record levels, due largely to hurried purchases by consumers to replace depleted inventories and to circumvent price increases. Some recession from this abnormally high rate is naturally expected in the early future, but the indications point to nearly normal demand for the balance of the year in all the company's lines. Foreign business as a whole remained at about 1932 levels for the first six months of this year. The latest available income account is for the quarter ended March 31, 1933, when net income was $2,098,613, compared with $2,111,173 or 66 cents a share for the first quarter of 1932, continuing the consistent record the company has maintained for years. Although net profit fell somewhat below dividend needs, the later upturn indicates current rates are now being covered. Financially, Corn Products is exceptionally strong, its balance sheet for December 31, 1932, showing current assets of $49,908,222, including $38,512,049 cash and marketable securities, which items alone were several times total current liabilities of $3,350,205. Higher security prices have added to the value of the company's investments, including its large holdings of Commercial Solvents, which add speculative attraction to the shares of Corn Products. In view of the company's excellent record, capable management and leading trade position, we favor the longer term retention of your stock and would not be averse to a further purchase of 100 shares on any sharp technical reaction in the market.

CONSOLIDATED TEXTILE CORP.

Because of its low price I am considering the purchase of a few hundred shares of Consolidated Textile. Would you advise this? It seems to me that with other textile issues doing so well this stock might offer speculative possibilities.—T. P. R., Butte, Mont.

Consolidated Textile Corp. is engaged in the manufacture of a broad line of cotton goods, including chambrays, napped flannels, sheetings, yarns and other printed and dyed fancy cotton fabrics. In reflection of the demoralized status of the cotton textile industry, operations of this company have been unprofitable since 1927, and, as a matter of fact, the record of the company prior to that year was not at all impressive. As a result of deficit operations, the company has been unable to pay any interest on its burdensome funded obligations since June, 1930, and by virtue of the interest defaults, plants are being operated practically for the sole benefit of bondholders. Admittedly, the pronounced improvement in the textile industry visible during the past six to eight months is somewhat reassuring in judging the outlook of the company. However, a careful study of the annual report of Consolidated Textile Corp. for the calendar year 1932 is less encouraging, when appraising the capital stock. Funded debt at the close of last year amounted to $8,342,000; while land, buildings, equipment, etc., were carried at $9,475,792, before reserve for depreciation, and $7,039,301 after such reserves. Furthermore, despite operating economies effected during last year, as well as the abandonment of more or less obsolete plants, and improvement in the industry as a whole, a loss of $1,233,640 was incurred from operations, against an operating deficit of $1,248,168 in the preceding year. In the light of the foregoing, a considerable period of time will elapse before the position of the company has improved sufficiently to allow any tangible value for the common stock. In the interim, the hazards attendant commitments in the capital stock more than offset such extreme long term profit possibilities as the shares may possess. Accordingly,

therefore, we prefer to endorse the accumulation of stocks offering more clearly defined possibilities, and counsel against your anticipated commitment in the shares of Consolidated Textile.

NATIONAL SUPPLY CO.

What is your opinion of the National Supply Co.'s early prospects? Do you believe it can profit in the control of oil production sought under the National Recovery Act? Will it, in turn, benefit by higher oil prices? I will appreciate any details you may give me.—R. P. J., Youngstown, Ohio.

The National Supply Co., occupies a leading position in the manufacture of equipment and supplies employed principally by the petroleum industry. As a result of the sharp curtailment of drilling operations in 1931 and 1932, sizeable losses were reported by the company. The net loss last year amounted to $3,847,638, while that for 1931 was $4,495,797. Unprofitable operations continued in the initial quarter of the current year; a net loss of $1,009,322 was sustained as against $1,420,761 deficit for the similar period of the previous year. Despite these unsatisfactory results, the concern has maintained a strong financial condition, total current assets including cash of $4,860,233, amounted to $28,790,456, as of March 31, last, while total current liabilities stood at $1,153,705. Recently the company is understood to have enjoyed an increase in orders and inquiries for pumping equipment due principally to the lowering of pressure in the East Texas field. Many oil companies, however, which would normally place orders for equipment have deferred such action, awaiting a clarification of the code of fair competition as it affects production. Nevertheless, increased profits in the petroleum industry, together with the probability that a wider use of pumping equipment will be necessary in the East Texas field, are favorable factors in the longer term earnings outlook. Accordingly, we are inclined to counsel retention of present holdings with a view toward ultimate earnings recovery.

COMMERCIAL SOLVENTS CORP.

Thanks to your advice of a few months ago I have averaged 200 shares of Commercial Solvents down to prevailing quotations. I am now wondering if I can expect to realize an early profit on my investment, and whether this company's prospects warrant my acquiring an additional 100 shares?—R. G. K., Brooklyn, N. Y.

Continuing to reflect the depressed state of its principal consuming outlets, Commercial Solvents Corp. reported

for the quarter ended March 31, 1933, a net profit of $224,758, equivalent to 9 cents a share on the capital stock. This compared with $293,454, or 11 cents a share in the initial quarter of 1932. Despite the downward trend of earnings in evidence during the past three years, a sound financial condition was maintained. As of December 31, 1932, total current assets, including cash and Government securities of $2,541,-911, amounted to $6,328,685, as compared with total current liabilities of only $320,537. Ranking as the largest domestic producer of butanol, employed principally in the manufacture of lacquers, the company stands to benefit materially from the recent improvement noted in the automotive industry. Acetone is also produced in considerable volume, being used mainly in the manufacture of artificial silk. Last year the company broadened its activities to include the manufacture and sale of plastics and pigments. These divisions should become increasingly profitable as business improves. Recently, the concern entered into an agreement to purchase the industrial alcohol business of the Rossville Alcohol and Chemical Corp., thus further improving its position to take advantage of the anticipated wider use of alcohol. Solvents common offers interesting possibilities over a reasonable period of time and, on this basis, we feel that additional purchases of the stock are fully warranted.

NATIONAL CASH REGISTER CO.

If about half National Cash Register's business is from abroad, I would like to know how it stands to fare by current foreign exchange developments? Has it benefited by recent business improvement? Would you hold this stock as a speculation or dispose of it now? I have 80 shares for which I paid 37.—A. T. G., Boston, Mass.

The National Cash Register Co., as the largest manufacturer of cash registers in the world, has reflected in its annual reports the world-wide economic depression and the unsettlement which has prevailed in foreign exchange. Thus, total sales declined from a peak of $57,607,181 in 1929 to a low of $16,475,548 last year, the latter figure having been approximately 43% below that of 1931. This unfavorable trend continued through the initial quarter of the current year, when a net loss of $562,226 was shown, against $339,654 deficit in the March quarter of last year. Despite the fact that there was a noticeable improvement in the concern's business in February, the bank holiday in March, coupled with political disturbances in many foreign countries, interrupted this apparent reversal of the downward earnings trend. With the reopening of the banks, however, orders in April exceeded any month of this year and even surpassed those of April, 1932. This improvement in demand for cash registers received a further stimulus from the legalization of beer and the increased activity in evidence in practically all lines. Gross sales in June amounted to $1,150,000 as against $825,000 in June of 1932. Moreover, foreign business, which normally accounts for approximately 50% of income, recently has shown some improvement. Since approximately 90% of the machines sold abroad are manufactured in this country, the recent strengthening of foreign currencies against the American dollar will, undoubtedly, tend to stimulate sales further. Thus, maintenance of your long position in National Cash Register common appears the proper course to follow at this time.

Westinghouse Air Brake Co.

(*Continued from page 329*)

assets, including cash, United States Government and other marketable securities of $22,632,234, amounted to $33,571,181, while current liabilities were $1,642,591. Manufacturing plants, office buildings and other real estate is carried on the books at a depreciated value of $12,878,296 and investments in the capital stocks and bonds of other companies, including allied European and Canadian companies, is carried at $8,631,951. All the company's immensely valuable patents appear on the books as an asset of $1.

Reflecting the extremely adverse conditions in the industry, last year Westinghouse Air Brake reported net income of $1,421,247, after depreciation and taxes, compared with $3,155,111 in the previous year. These earnings were equivalent to 45 cents and $1.01 per share, respectively, excluding the stock held in the company's treasury. For the first quarter of this year, red ink was barely avoided with earnings of less than 1 cent a share, compared with 12 cents a share in the corresponding previous period. Nevertheless, that company, as has been previously stated, managed to stay in the "black" at all is no mean achievement.

But this is all past history. Railroad traffic has been increasing by leaps and bounds and many roads which thought that they were well equipped to handle a greater volume of business are discovering the present upturn to be so swift that their facilities are being taxed. There is still, of course, the financial

difficulty, for the increase in traffic has not been of sufficiently long standing to have enabled a large rebuilding of impaired finances. Nevertheless, we have about reached the point where the roads have got to spend some money both on repairs to old rolling stock and the purchase of new. Also, as the railroads become more prosperous, the more ambitious programs of automatic train control and the like, which were deterred as a result of the depression, again will be pursued actively.

The Westinghouse Air Brake Co. is well situated to obtain a full share of the expected increase in railroad purchases. If by any chance this buying is less important over the near future than is expected, the company's financial position is such that it can easily afford to wait until such time as it *does* become important. Westinghouse Air Brake has kept well abreast of the times. A new brake has recently been perfected for use on the modern heavy freight trains which is reported to have outstanding operating advantages and economies and from which very substantial future business confidently can be expected. While current prices of $34 a share for the stock discounts to some extent the improved prospect, purchases for holding over the longer term will prove in all probability to have been well justified.

Will Purchasing Power Sustain Business Activity?

(*Continued from page 315*)

population of more than 56 per cent.

The Administration is making determined efforts to restore the purchasing power of the farmer as well as that of the laborer, but so far the farmer appears likely to reap greater and more immediate benefits. The regulatory activities of nature, anticipating those of government, have so reduced crops that the smallest supply of new wheat in forty years is indicated by the July 10 report. And the harvest of oats will be the smallest ever recorded. With wheat up more than 50 cents a bushel since March, the gain in the market value of the new crop, estimated at 478,105,000 bushels, is more than $250,000,000. The rise of about $25 a bale in cotton since March has added $300,000,000 to the new crop, currently estimated at about 12,000,000 bales. And these figures take no account of carryover in either wheat or cotton, a great deal of which is in farm hands or will be shared in by the farmer through the Government's land-leasing and acreage-reduction activities,

to be paid for by the processing taxes.

Farmers whose grain crops have been burned up are not, of course, in an enviable position; but there can be little doubt that the gross income of the total agricultural population will turn sharply upward this year. It is highly significant that the processing tax was imposed on wheat, notwithstanding that prices approximated the higher levels sought. For many years it has been a stock complaint of agriculture that the farm price of its products represented too small a proportion of what the consumer actually paid. The effect of the new tax will be to compel a reduction in the spread between the farm price and the consumer price, through reduction of the takings of the processor and addition to the receipts of the farmer.

Farm Buying Later

Restored farm buying power will probably not be felt until autumn, or as one writer put it, "the full force of spreading employment is not expected to become evident in retail sales totals until later in the summer, at which time price advances will become more pronounced, contributing more largely to the gains which will be made over last year's record."

The consumer's purchasing power—at least, off the farm—is sensitive to another index—the cost of living. The National Industrial Conference Board's index of living costs advanced during May. The May figure of 72.1 (monthly average of 1923 as 100), compares with 71.5 in April and 71.8 in March. But as compared with last May—77.9—it still shows considerable reduction. In May, 1931, it stood at 86.9, and in May, 1930, it was 97.2. Viewed from this angle, the purchasing power of the dollar in today's pay envelope is considerably greater than it was one, two or three years ago. This advantage, however, is likely to be shortened from now on because the chief component of the cost of living index—food, which is given a weight of 33 out of a total of 100—gives every indication of rising sharply. The National Wholesale Grocers' Association has just reported that their index of wholesale grocery prices increased 2.1 per cent in June, standing at 72.9 (average for 1921 as 100), against 71.4 in May. This index is now 8.3 per cent over June, 1932, and at the highest point reached since November, 1931.

All of these indices and trends boil down to three simple statements: Farm purchasing power is recovering more rapidly than that of labor, while both are lagging behind production, and speculative production is running ahead of consumption. In brief, purchasing power as indicated by income is not running abreast of production. Given time, and a little patience, however, it is a fair assumption that the swift broadening of employment and widespread wage increases, taken in conjunction with rapidly gaining farm incomes, will fill the vacuum.

Some lull between summer and autumn would be natural, but should not be alarming. The greatest reassurance lies in the fact that additions to purchasing power are being made in a continual stream. It is only natural and proper that a portion of this stream at first should be diverted to the payment of pressing debts and arrearages, after which its full force will be turned into the river of national purchasing power.

Depression gripped the country, many observers believe, because mass purchasing power failed to keep pace with rising prices and heavier output. Strike out the word "power" and probably the statement will be more correct, for retail sales dropped off even before employment was seriously effected. There are times when the need and, particularly the will, to buy are of more moment than apparent purchasing power. There can be no doubt about "need" now, and the "will" is amply demonstrated by what has happened in the motor car and the electric refrigerator industries.

Paper Dollar and Gold Dollar Prices Compared

(Continued from page 321)

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bank and which are not required for current needs are somewhat off-color.

It is these last dollars which have been employed in the past few months in eagerly buying commodity futures, stocks and second-grade bonds, causing rises to gladden the heart. Even high-grade bonds got some of the backwash from this movement and sold higher. Now comes the most curious and contradictory aspect of all in the dollar's loss of caste. Despite the fact that corporations and individuals got rid of their surplus dollars because they had lost a measure of faith in them, they consider any subsequent price enhancement of the things they bought, not on the scale by which previously they measured their surplus dollars, but on the scale employed for the spending-money dollars. This is why everyone who has a profit in paper dollars feels perfectly happy about it, regardless of its size. The man whose bonds have risen from 90 to 100 is complacent. He says to himself that he might have made more, of course, had he bought stocks or commodities, but that a 10 point profit in a conservative bond is "not to be sneezed at."

Yet, this purchaser of bonds would discover, should he suddenly be obliged to exchange his investment for grain, copper, rubber, or a number of other commodities, that he could obtain less of them with his bonds at par than he could when they were at 90. In a word, despite the 10-point rise he might well be worse off. On the other hand—in order that the case may be presented perfectly fairly—he is more likely to have to exchange his bonds for the ordinary necessities of life and, if this were so, the 10-point price rise actually could be translated into something substantial. And to this extent a certain complacency is justified. He lives, however, in a fool's paradise if he imagines this to be a normal relationship, for as sure as night follows day, lagging retail prices will rise to put him into the same position in regard to the ordinary necessities of life as now confronts him in regard to more sensitive wholesale commodities.

It has been just this reasoning that is behind THE MAGAZINE OF WALL STREET'S refusal over the past few months to recommend further general investment purchases of high-grade long-term bonds. Rising paper dollar prices for these securities have been anticipated, and so stated, but the chances of a purchaser ultimately experiencing a substantial loss of purchasing power in his capital have offset any desire to make buying recommendations.

Charts Prepared

In an attempt to clarify the present currency situation the accompanying charts have been prepared. They show the price of various stocks and bonds as they appear in the daily papers. At the same time the corresponding gold value is also shown. While identical methods have been employed in each graph, slightly different scales for stocks and bonds have been employed in order to better bring out the interesting divergences between paper dollar prices and gold dollar prices. It will be seen that a man buying stocks—or to a less extent speculative bonds—in March and April when the dollar and gold were synonymous can now sell them for many more paper dollars than he paid, theoretically for a somewhat smaller number of gold dollars, and we know that he could convert his stocks and bonds into more everyday necessities of life than he could when he bought them. That is to say, he is now a great deal better off in every way. On the other hand, the man who bought high-grade bonds can now convert them into a greater number of paper dollars, into a greater number of

necessities, but in gold they are worth a great deal less than he paid.

It is, nevertheless, erroneous to assume that the gold line represents the true position of the American investor. In truth, it may be said to represent accurately only the position of the Frenchman who has bought American securities and anticipates spending his money at home. Currently, the American investor's true position is much closer to the paper line than it is to the gold line, although it will tend over a period of time to drift steadily downwards towards the latter. If we were to cut—of which there is talk—the gold content of the dollar to correspond with its present quotation in terms of gold currencies (about 70 cents) ultimately the gold line of the graphs would reflect accurately the investor's real position in relation to the line of paper prices.

While these conclusions are not perhaps as definite as they might be, they are, nevertheless, valid and interesting. It might be said conservatively, for example, that a man's stock market profits at the present time, although substantial, are not really as brilliant as he thinks. Similarly, the man who bought second-grade bonds has done well also, but not as well as he believes, perhaps. On the other hand, the man who held dollars themselves, or bought United States Government bonds with them, if not actually worse off than when he made the purchase, probably will find himself in this unfortunate position before all the cards have been dealt.

Should these conclusions prove somewhat disconcerting to those who have been measuring their paper profits by old standards, there is consolation in the thought that the mistake is not an unnatural one, inasmuch as both the deal and the cards are new—and the game has never been played before.

What Price Prosperity?

(*Continued from page* 313)

For the benefit of the investor it might be hinted that the processors, instead of absorbing much, if any of the tax, will find a way to make it an excuse for adding a bit of a tax for themselves. That is, they will unless the consumer is affected by his bounding bills to the point of reduced consumption. Here are conflicting points of view to keep in mind when considering the prospects of food and provision companies and the admirableness of their securities—not forgetting tobacco and textile enterprises.

Last but not least let us not forget the nameless tax which is about to be

applied by the Industrial Recovery Act. The inevitable consequence of increasing wages, shortening hours and lengthening payrolls is higher prices—human nature being what it is and notwithstanding General Johnson being what he is. This non-statutory tax is certain to be presented to millions before they have the wherewithal to meet it. Increased prices of industrial goods plus increased prices for farm goods may informally tax the taxpayer into a comatose condition before he has an opportunity to extract any nourishment for himself from the new prosperity. Should this happen, business may grow cold again.

Nothing will matter much—real or near-taxes—if the growing business advance can keep up a general alignment of taxes, prices, wages and salaries.

Can Steel Maintain Its Present Pace of Recovery?

(*Continued from page* 319)

The Republic Steel Corp. has been built up to a strong position from the start made several years ago when the Republic Iron & Steel Co. was put together out of rather unpromising matrial. The new corporation was formed in 1930, through absorption of Central Alloy Steel Corp.—a leading domestic alloy steel producer — Donner Steel, a maker of basic, malleable and foundry pig iron and steel, including low-grade alloy steel, and two manufacturers of finished steel products. The old Republic company was the only one of these integrated as to raw materials and supplies.

The capacities of the merged companies are fairly well diversified, but there is no rail or structural tonnage. Republic's alloy steel production, under American rights to Krupp patents, is relatively large and should grow in importance. The corporation has expanded in the pipe field, having completed three new mills in 1930 for turning out electrically-welded steel pipe, making it the fourth largest domestic producer. Market dependence is primarily upon the automobile industry, then on building, and third on oil, gas and water works.

Outstanding among the other independents are such concerns as the National Steel Corp., which deserves particular mention as the only one of the major integrated steel producers to stay in the black throughout the depression. National is the sixth largest steel company and the only one of the first ten to show profits. Rather dramatic proof of this was furnished by a recent dividend increase from 50 cents to $1 annually. In National's management, Yankee salesmanship is blended with Welsh steel-making genius.

Other notable independents are Youngstown Sheet & Tube Co., American Rolling Mill Co., Inland Steel Co., and Colorado Fuel & Iron. Youngstown, as its name suggests, is strong on tubular goods, being the second largest producer of welded and seamless pipe, and it has suffered from the drop in oil and gas line construction. In recent years it has rounded out its products in other divisions. American Rolling Mill Co. has concentrated for a quarter of a century upon sheets and plates, and has one-fifth of the sheet capacity of the entire industry, which makes it dependent upon the automotive industry as its major market, with other important outlets including building, road construction, refrigeration, and electric equipment. The company has a maturity of 15 million dollars in notes to take care of on November 1, 1933, but indications are that refunding will not be difficult. Inland Steel has always been a big rail producer; but although it has 10 per cent of the rail capacity of the industry—which puts it in fourth place—rails and allied products now make up less than 25 per cent of its diversified tonnage. Colorado Fuel is the leading steel producer west of the Mississippi, with 60 per cent of its total business in rails, which gives it third rank in that field. Return to profits in the case of this company depends almost entirely upon railroad buying, for its business in coals and coke is not at present an important source of income.

There is a separate and more or less distinct group of companies which should grow in interest to the investor as they continue to advance in importance in relation to the steel industry—the makers of alloy steels. The percentage of alloy steel production to total steel production rose rather remarkably, from ¾ of 1 per cent in 1909 to slightly more than 7 per cent in 1929. In bulk, that meant nearly four million tons in 1929, against barely 182 thousand tons in 1909. With price a factor, production of high quality alloys has naturally fallen off during the past three years, but everything points to a resumption of the advance in this division when general prosperity is regained.

The principal alloy steel makers are Crucible Steel Co., Vanadium Corp., Ludlum Steel Co., Allegheny Steel Co., and Superior Steel Corp. Crucible has long been in the field with its special steels, hardened by purifying and alloying. It supplies the major portion of crucible steel used in the United States and is the largest manufacturer of high speed and tool steels. It is licensed under various "stainless" and Krupp patents. Crucible's financial position has suffered some during the lean years, but it has no early maturities and earnings should recover sharply with continued industrial expansion. The Vanadium Corp. controls the largest known supply of vanadium, and also owns deposits of important components of steel alloys, such as chromium, silicon, titanium, and silico-manganese ores. The metals produced by the company are used to a certain extent in almost every type of steel.

Ludlum Steel Co. is fortunately situated in that it has no funded debt, and despite losses of the past three years, its financial position is strong. Ludlum specializes in high grade alloys, and 75 per cent of its customers buy by the pound. Allegheny Steel Co. makes sheets and plates of chromium-nickel alloys, largely used where rust resistance and high sheen are desirable. Superior Steel Corp. runs largely to strip, producing a large portion of the strip tonnage of the Pittsburgh district. In recent years the company has diversified its output to include strip made from billets and slabs furnished by the Rustless Iron Corp. of America.

All the alloy steels are primarily dependent upon the automotive market, which normally absorbs from 70 to 75 per cent of the total output. But other markets are growing in importance, with a large volume of "stainless" steels of various sorts going to the food industry. Other outlets include machine tools, building hardware, chemical manufacturers, oil refiners, agricultural implements, metal furniture and equipment for homes and offices, stoves, etc.

The general market for steel appears gradually to be strengthening. Although the initial impetus was provided by purchases for re-stocking, there are signs that warehouse stocks are moving into consumption. The motor demand is expanding and the rail demand cannot long be delayed. According to latest trade reports, there is reassuring evidence that consumption is becoming more diversified. There may be some slight let-down between mid-summer and early autumn; but "cupboards" have long been so bare that, if industrial recovery gains in strength in the autumn, as now seems likely, steel operations could well maintain the pace of recovery. It is to be remembered that steel, perhaps more than any other basic material, is essential to the filling of the growing needs of America, in the home, as well as in offices, oil fields, mines, farms, forests and factories.

For Features
to Appear
In the Next Issue
See Page 303.

United Gas Improvement Co.

(*Continued from page 328*)

Subsidiary funded debt outstanding totals $252,000,000. It might be noted that subsidiary bank loans amounted to only $574,000 at the end of last year and that subsidiary obligations maturing during the years 1933, 1934, and 1935 are of very minor importance.

For the twelve months ended March 31, 1933, The United Gas Improvement Co. reported consolidated net income of $34,346,106, compared with $37,184,437 in the corresponding previous period. These earnings, after preferred dividends, are equivalent to $1.31 and $1.43 a common share respectively. As the common stock of The United Gas Improvement Co. is on a $1.20 annual basis, it will be seen that even in the later period this disbursement was covered with a fair margin to spare.

During the second quarter of this year, the company's electric business registered considerable improvement and, in marked contrast to the first quarter, it is now running ahead of the like period of 1932. This betterment will be an important factor in offsetting the absorption by the seller of the 3% power tax next September and also in tending to nullify the adverse influence of any additional rate reductions that may be put into effect in the near future.

It is unfortunate that the appraisal of any public utility stock cannot these days stop short with a consideration of the company's territory, business, capitalization and management, but must also weigh the unweighable—politics. The public utility tax burden grows heavier every day and at the same time, despite the fact that the country is fully launched on a price-raising policy, agitation for lower utility rates grows constantly. Too harsh an application of these factors could mar the investment standing of the soundest utilities just as has happened in the past with the railroads.

But perhaps this is too pessimistic a comparison. The potential demand for public utility service has been growing despite the depression. There is still a vast field for expansion and, although this is likely to be at a slower rate than in the years immediately preceding the depression, undoubtedly it will proceed apace. With this as a background the public utilities may well surmount the obstacles they so obviously face. If it can be done by any company, United Gas Improvement will emerge successfully. For this reason anyone desiring representation in the public utility industry will find the common stock of The United Gas Improvement Co. around current levels of $23 a share deserving of careful consideration.

Readers' Forum

(*Continued from page 335*)

In many sections of the West one sees antiquated, uncomfortable farm houses that must strike melancholy into the hearts of their owners. In the past, the houses served their purpose. Today, replacements may be made *profitably*. I refer to advances made in design and construction which make possible better living at lower maintenance cost. Particularly, this is important in states having severe winters where heating bills are one of the major household expenses. Farther west come the lonely ranch houses, many made of unsightly and in summer uncomfortable sheets of steel. As for the majority of the "Spanish" monstrosities on the Southwest coast, all I can say is that I feel sure their owners feel the need of new housing. And in the cities, one needs only to give a passing glance at the more moderate value suburbs, the vast factory and tenement sections, and the row after row of obsolete houses barely paying taxes to grasp something of the tremendous long swing future of the building industry. And beyond that, I am told by architects who have studied the new materials and building methods in use at the World's Fair, a great percentage of our existing servicable factories, office buildings, and higher rent apartment houses could be replaced to economic advantage with newer materials and methods.

Purely as a man who travels a lot and takes note of evidence before his face, it seems to me that the building industry will soon blossom into its longest and brightest period of prosperity.—Robert Sayles, Ridgewood, N. J.

General Motors Steamer

Editor, READERS' FORUM:

The author of your article on General Motors in a recent issue, missed what I think is one of the most important facts in the transportation crystals, namely, the future possible import of steam-power automobiles. While I suppose that General Motors is well abreast of progress in that direction and well able to go into the steamer business should the type of car ever prove practical, I think it should be pointed out that the perfec-

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IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	1933 Price Range Low	Recent Price
Alum. Co. of Amer.	96	37¼	83¼
Alum. Co. of Amer. Pfd. (1½)	77½	37	75
Amer. Cit. P. & L. B. (.15)	6⅝	3	5⅝
Amer. Cyanamid B.	15⅜	3¼	14
Amer. & For. Pr. war	13⅛	2⅝	12½
Amer. Gas & Elec. (1)	50	17⅜	45¾
Amer. Lt. & Tr. (2)	26¾	12	25¾
Amer. Superpower	9¼	2½	7¼
Assoc. Gas Elec. "A"	7⅞	1	2
Centrifugal Pipe (.40)	4⅞	2¼	4½
Cities Service	6¼	2	4⅝
Cities Service Pfd.	30	10½	22
Colum. G. & E. cv. Pfd. (5)	136	68	134
Commonwealth Edison (4)	82⅝	50	71½
Consol. Gas Balt. (3.60)	70½	43¼	68
Cord Corp. (.10)	15½	4⅜	14⅜
Elec. Bond & Share (6% stk.)	41⅝	10	38½
Elec. Bond & Share Pfd. (e)	66	25	65
Elec. Pr. Asoc. (.40)	11¾	2½	10⅞
Ford Motor, Fr., A	4¾	3	4⅝
Ford Motor, Ltd	5½	2⅝	5¼
General Aviation	10	2⅞	9
Great A. & P. Tea N.-V. (7)	181½	128	170
Gulf Oil of Pa.	62	24	60
Hudson Bay M. & S.	10	2⅝	9⅛
Humble Oil (2)	88	40	83½
Inter. Petrol (1.12)	19⅞	8⅞	18¾
National Aviation	11¼	4⅞	10¾
Nat. Bellas Hess	4¾	¾	4½
Nat. P. & L. Pfd. (6)	72¼	34	67
Niagara Hudson Pwr. (1)	16⅜	8½	13¾
Penroad Corp	6⅜	1⅛	5⅞
St. Regis Paper	8¼	1½	7⅝
Salt Creek Pfd. (.80)	9¼	3½	7¾
So. Cal. Edison Pfd. (2)	36	32½	36
Standard Oil of Ind. (1)	33¾	17	33⅜
Stutz Motor Car	18¾	8⅞	18¾
Swift & Co.	23⅜	7	21
Swift Int'l (2)	32¾	12¼	29
United Founders	3	¾	3
United Gas Corp.	6¼	1⅛	5½
United Lt. & Pow. A.	9¾	2	8

tion of a steamer to the point of a low priced, practical operation car would throw the existing automotive industry into considerable upheaval.

In view of the rate at which we are wasting our natural supply of oil, and of the economic need for greater mileage at reduced operation cost if the automotive market is to be further widened, I think the steamer may well be the ultimate automobile. Of course, it would take some years yet to perfect. But, unless a substitute or low cost synthetic gasoline is found, does it not seem unquestionable that a practical steamer must eventually be developed?—G. R. White, Fort Wayne, Ind.

Intimate Letters of a Washington Journalist and His New York Broker

(*Continued from page* 317)

going in are rumored to be. Each new state that falls into the repeal columns seems to be the signal for another burst of speculative enthusiasm. In fact, the manner in which these alcohol stocks are shooting around reminds me of the old Crucible Steel and Davison Chemical days. We can do with a good deal less of this boom era psychology.

Now that I have gotten the serious side out of my system, I want to tell you that some of the boys who were practically flat six months ago are coming back with a vengeance. Archie Andrews has his yacht back again,—George Breen is slinging around 50,000 and 100,000 share lots like odd lots,—and last but not least, and maybe you won't believe this, but Mike Meehan is buying pictures.

Yours,

PERRY.

P. S. — What has happened to Eugene Meyer and Ogden Mills, and how do you imagine they feel now? I'll bet they couldn't get jobs as customers' men in Wall Street.

Free Gold Market in America Is Urged

(*Continued from page* 311)

natural price, will enable it fully to perform its function as the world's international and universally accepted standard value.

In other words, all gold standard currencies must be detached from their present official valuations in the metal, and gold be allowed to rise to its natural price, before the nations of the world can return to that standard universally. There is a natural equilibrium of value between the metal gold and all other commodities and values, expressed in the legal tender of every nation. Once the free price of gold has reached that equilibrium, the nations will have no difficulty in re-establishing the gold standard at somewhere near that price.

The rise will commence as soon as the four remaining gold standard countries are driven off it at their present valuations. A great rise in commodity and all other prices without fear of

reaction will commence at the same time all over the world and the four year depression will be over.

There is no single factor that could contribute more powerfully to that desirable end than the speedy establishment of a free gold market in the United States of America.

The Rubber Dollar and the Stock Market

(*Continued from page* 308)

nomic scheme of things, rather than a will-o'-the-wisp of rumor as it was but a short time ago, the stock market has boiled uninterruptedly. The technical position has become rather obscured. To a certain extent the market has probably developed self-corrective propensities. All surface indications are that rotating of interest and activity from group to group is tending to keep the superficial position apparently healthy. Thus, on a recent day, when the total of transactions reached a new high in the past three years, the aviation stocks, the rails, the rubbers, the utilities, the motors, the packing stocks and the alcohols came in for successive periods of concentrated trading attention.

One of the most disconcerting features is the abandon with which certain specialties, such as the alcohols and other "imagination" stocks where quoted values have no factual relation with current earning power or even with known prospects, are being taken in hand by pool operators and whirled to unconscionable heights. Eventually somebody is going to pay the cost of excessive optimism and judging by the public's appetite for such issues, it won't be the pools.

Buyers of stocks, however, have become more and more convinced that "cold water" has no part in the new deal. Many have taken profits and awaited reactions, losing their position because corrections have not been sufficiently severe to let them in again. Many others who normally would play for reactions are holding doggedly on, even though they are a bit worried by the evident recrudescence of 1929 psychology.

Profit-taking brakes are thus off the market for two reasons: the first is the well-known aversion to paying income taxes on big gains; and the second is the inclination to "go the whole hog" on whatever the questionable benefits of a tobogganing dollar may prove to be.

For this second reason—made more valid every day by Washington outgivings—it seems advisable for long-term investors to maintain their positions. But, because of the market's obvious need of more thoroughly corrective reactions than have recently been seen, it does not seem wise to add to holdings except in special situations or on sizable downturns. We believe it is distinctly dangerous at this stage to attempt to pyramid holdings on a scale up on the sole basis of paper profits.

Short-term operators would do well to keep a weather eye on the fluctuations of the dollar in the exchange markets. With the dollar as their chief guide those who strive to profit from intermediate swings will be matching their wits with the canniest speculators on earth—foreign exchange traders and stock pool managers.

Opportunities for Price Appreciation in the Low-Priced Rails

(*Continued from page* 325)

of coal hauled up to 71% of tonnage, compared with 55% in 1930, and net earnings in that year more than made up for the deficits of the preceding two years. Manufactured products and miscellaneous freight comprise an appreciable portion of traffic, however, and continued business expansion should bring increasing revenues from these sources. Car-loadings have been showing very good gains, the latest week recording an increase of 23% over last year.

Because the road had to assume a contingent obligation—the debt of a subsidiary—during the banking holiday, the balance sheet position is none too good, but fixed charges are being covered currently, with a balance for the common which is likely to run to around $1.75 or better for the year. "Ontario" is controlled by New Haven, which owns 50.2% of the total of 581,140 shares of common stock outstanding. With a low proportion of funded debt and practically no preferred stock, rather consistent earnings have been shown for the common for the last thirty months.

Western Maryland

Western Maryland is rather notable because of the fact that it has covered its fixed charges throughout the depression. Once very closely controlled by the Rockefellers, who also kept an eye on its management, this road was brought up to fine condition and strategically strengthened by construction of grain elevators at Baltimore which enabled it to handle large export shipments. With its main freight movement eastward to tidewater, it has handled a great deal of bituminous coal for export in recent years.

Total mileage is 891 miles, with the main route extending westward from Baltimore via Hagerstown and Cumberland, Md., and reaching important West Virginia coal fields, in connection with the Pittsburgh & West Virginia.

An interesting speculative factor lies in the unknown extent to which the recently completed Connellsville extension, which makes the Western Maryland part of a new Great Lakes-to-tidewater route, will produce increased traffic under normally prosperous conditions. Primarily a bituminous coal carrier, manufactures and miscellaneous freight, which rank second, account for only 16.69% of the road's tonnage. Connecting lines permit sharing in the benefits of increasing steel mill operations in the Pittsburgh district.

Western Maryland's financial position is comfortable, and fixed charges are likely to be covered by a good margin this year. Traffic has recently turned sharply upward, the latest weekly car-loadings showing a gain of nearly 35% over last year. Although gross revenues were down in May, there was a surplus of $15,808 after charges, against a surplus of $5,882 after charges for the month a year ago. The common is pretty far from dividends, for there is an accumulation of over $100 a share in back dividends on the cumulative preferred stock. Development of real earning power would probably bring some capital readjustment to care for dividend arrears. Earnings prospects are sufficiently good to give the common stock speculative appeal over the longer term.

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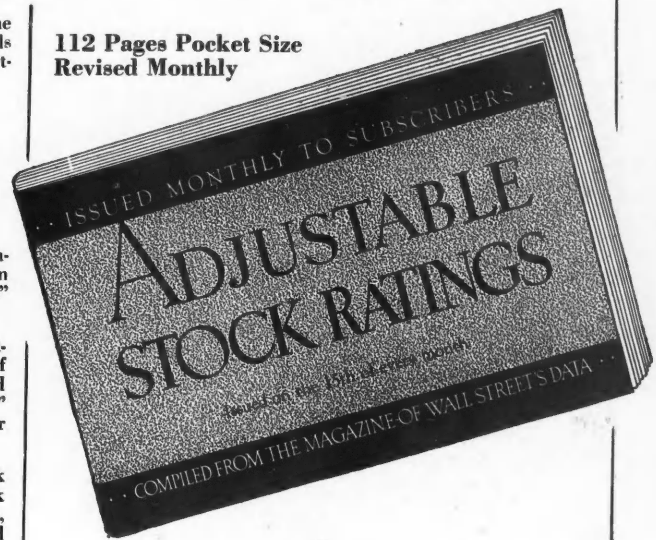

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